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FBIS-USR-94-038

15 April 1994



CENTRAL EURASIA

FBIS Report: Central Eurasia

FBIS-USR-94-038

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ARMENIA

Premier, Parties Debate Economic Reform

944K1038A Yerevan GOLOS ARMENII in Russian
5 Apr 94 pp 1-2

[Article by Shamiram Agabekyan: "Armenia on the Threshold of Voucherization. Prime Minister Bagratyan Predicts Our Fate"]

[Text] As has already been reported, participating in the discussions in the office of the Ramkavar-Azatakan of Armenia Party were not only representatives of sociopolitical organizations, members of parliament, and specialists, but also Prime Minister of the Republic of Armenia Grant Bagratyan.

As for the political forces represented in the discussion, all of them were, to put it mildly, extremely skeptical both of the reforms and of their authors and supporters. This is apparently why the discussion amounted to only conceptual criticism. Thus in the view of the Agrarian-Democratic Party, the economic transformations are lacking an ideological concept, they do not have a social base, and they do not go beyond solving purely technical problems (Mels Mkrtchyan). And the Constitutional Law Union thinks that the theory of Jeffrey Sachs, a professor at Harvard University in the United States, is being deliberately transplanted to Armenian soil. But our shock therapy is also being carried out with local peculiarities: Instead of obedience to the law on property, we have a proliferation of clans usurping spheres of the economy. Instead of the idea of forming a national bourgeoisie proclaimed by the government, we have primitive polarization of society.

In the view of the representative of the Ramkavar-Azatakan of Armenia Party, Gagik Galstyan, it is wrong to speak of the establishment of a market economy in Armenia because a transition to private property does not mean the establishment of the market. Different principles are required: In particular, competition and the corresponding pricing system, which we do not have, but still there has been a dispersion of resources, leakage of capital and cadres...

Leonid Akonyan, representative of the Communist Party of Armenia, thought that for some reason the organizers and implementers of the reform equate destitution with privatization, while reforming the economy of the former GDR in Germany lasted for 10 years, and hundreds of billions of marks were allotted for these purposes. Such speedy and random privatization, in L. Akonyan's view, is merely a repetition of [word illegible] experience of voucher reforms, and that is all.

While advising acceleration of privatization as a whole, quite a few critical remarks were directed against the government by a member of the Union of Merchants, Manuk Gasparyan. I think there will be an opportunity to return to his speech in one of the next few issues of GOLOS ARMENII, but now I shall discuss the speech of

Prime Minister of the Republic of Armenia Grant Bagratyan—helmsman of the Armenian version of the reforms and a passionate champion of them.

Grant Bagratyan, while recognizing that dozens of mistakes have been made during the process of reforming the economy, still sees the overall trend as positive. The prime minister did not deny the possibility of mistakes in the future because this is not a repeated process but one-time actions, and actions that affect the interests of the *socium*, which break down its customary way of life. The government perceives this as a natural pattern.

Whether slowly or quickly, privatization will take place—the government sees as its main task making sure that this process is controllable. For a random and uncontrolled outcome caused by too much haste specifically in industry will lead to the appearance of a mass deprivatization war. With such a turn of events not only Armenia but any other state would fail to hold up on the financial or social, or moral, or political plane.

Incidentally, this could be avoided if the labor collectives were certain that the changes that were made corresponded completely to the spirit and letter of the law. Well, what about the law itself? In Bagratyan's view, the legal vacuum is broad. To this day we have not defined what property is and what property is considered to be. To this day we have no law on citizenship, on deposits, on bankruptcy, we have not determined the status of public and private joint-stock companies, we have not decided the fate of productions operating at a loss. With the reality being like this, property will be distributed and rights will be granted without determining responsibilities.

As the prime minister stated, privatization is not an end in itself but the creation of a field for effective activity. And the elimination of state property is the only means. As corroboration for what he said he gave this example: When the government was analyzing budget incomes and expenditures it became clear that each year 1,700,000 tonnes of garbage are taken from the capital alone. And only 10 percent of the cost is paid from local funds and the rest comes from the budget. But this quantity of garbage does not physically exist.

The prime minister was referring to the fact that the parliament absolutely does not take into account these government services—maneuvering and balancing with state property under conditions of free prices. So during the discussion of the budget, with whose professional level Grant Bagratyan was extremely dissatisfied, they did not even raise the question of how, for example, the construction of a building is financed or how the cost of the shipment of that same garbage is determined.

As the prime minister said, when creating a state it is necessary on the move to turn over the layers of a whole epoch. A pedantic, bureaucratized government could reject the process of privatization altogether, claiming, if

nothing else, that it does not know to whom it should distribute the certificates. Incidentally, there are many "buts" of this kind.

Even with successful privatization of 80 percent of the enterprises, the distribution of the limited centralized resources will be extremely problematic because of the lack of a mechanism for this. Take just electric energy and water. On the one hand it is necessary to proceed from the effectiveness of the output. But we must not cast privatized enterprises to the caprice of fate. Just because, say, Armelektromash is privatized this does not mean that its problems are automatically solved, and at least the supply of metal must be regulated at the state level, that is, through the efforts of the government.

With all this, measures are also being taken to render assistance to privatized enterprises. Thus a club of entrepreneurs is being created and it will have the opportunity to meet regularly with the government in order to solve problems jointly.

Grant Bagratyan included purely organizational problems in another group of measures. Within two or three weeks the republic will receive all kinds of vouchers. At the same time the tax and customs services are being technically re-equipped, which, in particular, will help to avoid negative occurrences in the customs system. It will also be necessary to revise the structure for administration of the economy.

In general and on the whole the prime minister considers it realistic to begin the privatization of small facilities in May and enterprises in June, and also to complete some of the unpaid privatization by the beginning of September.

The prime minister did not deny that there have been and will continue to be omissions here because it is not at all easy to draw up a list of 15,000 facilities. But he assures us that the plan that has been chosen, the alternatives, and also the laws that have been adopted will create better conditions in Armenia than are found in Russia. In April of last year the "Armenian" version was discussed in the Hague with the participation of the World Bank, and it gained approval. This has to do with privatization of enterprises under the conditions of the notorious 20 percent. This has to do also with the fact that the "Armenian" version to a certain degree precludes the sad Russian experience when, for example, the president of a joint-stock company, deciding to earn \$2 million, sends the company's funds abroad.

The unpreparedness of the corps of directors causes the prime minister to have misgivings. Nor do we have the corresponding socium, which would bring pressure to bear on the leaders of the joint-stock companies, forcing them to function effectively. In the prime minister's view, no ideology, even the very best, can provide for development of minds—this takes time. And he is afraid that this time will also provide more occasion for criticism, and it cannot be ruled out that there will be political blackmail of the government as well.

But Grant Bagratyan, following Chubays' example, intends to say nothing since he is confident that he is carrying out a mission of historic significance and he must not stray from the path, for under conditions of free prices the state sector of the economy can be controlled only by political methods which, as he stated, will be manifested in one way or another.

And difficulties are inevitable when establishing a market: Some enterprises will stay afloat and others will not. Even today it is possible to tell which productions and organizations will "stay afloat" and which will not, because from many signs it is already obvious who has behaved how under the conditions of free prices and the transition to the market. The Institute of Physics provides an extremely clear example. Having found a practical application for its accelerator, the institute received an order for \$2 million. Other institutes have shown that they have been marking time all these years and merely reproducing outdated developments. Of course they are doomed.

There is the fear that everything will be attributed to privatization. Moreover, against this background it is possible that there will be a large wave of antiprivatization, for everything that today is concealed from people's eyes by the so-called state status will come to the surface. Then it will be possible to see who is good and who is bad, who is able to work and who is not, who is stealing, who is trading, and who is speculating.

There is also the danger of the appearance of the so-called "Vietnam syndrome." After the end of a military confrontation several tens of thousands of people may make claims against the society: We were in the trenches and you were dividing up the property. We must keep an eye out for a solution to this problem as well. And not only on the ideological but also on the material plane. In any case the property owner must be prepared for a year or two or more to compensate, to pay for the costs of those who are in the mountains today, who have been wounded, who have become disabled...

The problem of the diaspora is not the least of the prime minister's concerns. It should not have its property rights encroached upon, and division into "akhtsarov" and natives must not be allowed. But the diaspora will have to make its way through moral and psychological discrimination and overcome a multitude of other obstacles.

In other words society is faced with a harsh but necessary transformation through which it must pass. And the more quickly—the less painfully. This is why with the distribution of vouchers the government will insist parliament allow them to be bought and sold, for from now on it will be simply dangerous to adopt half-way decisions.

Incidentally, with the establishment of the market, in the view of the prime minister, political passions will abate.

And civil accord will be established because the new economic force will require stability, laws, and concrete actions.

Privatization will also have a favorable effect on the formation of the financial market and the stabilization of the exchange rate of the dram because a new, convertible commodity will be put into circulation: the property of productions—be it territory, machine tools, equipment...

Being in the best initial positions for privatization and having the best production potential, the republic, in Bagratyan's view, will soon establish itself in the region as completely successful. But under the condition that the natural course of economic transformations will not be hampered by powerful artificial factors in the form of escalation of the confrontation with Azerbaijan, etc.

...Oh, those buts! Were it not for all/of them, and not only in the form/of external factors,/the future would look bright ahead, would it not?! Alas, against the background of the current reality it is possible at least/to say: Oh, it is hard to believe!...

AZERBAIJAN

1994 Foreign Trade, Currency Prognosis

944K1036A Baku AZERBAYDZHAN in Russian
5 Apr 94 p 1

[AzerTadzh Report: "How Will We Earn and Spend Foreign Currency"]

[Text] The Ministry of Economics of Azerbaijan has for the first time prepared and submitted for the consideration of the Cabinet of Ministers a prognosis of the republic's foreign trade turnover and also a draft of the country's foreign exchange balance sheet for 1994.

As an AzerTadzh correspondent was told by the chief of the consolidated department of general economic and structural policy of the Ministry of Economics, Oktay Akhverdiyev, the overall volume of foreign trade turnover this year, according to the prognosis, should be \$727 million, which is \$297 million more than last year. Revenues from exporting goods and services, whose volume will reach \$395 million, will increase by \$160 million mainly because of the elimination of barter transactions. As before, the greatest share of it will be made up of petroleum products (almost 40 percent) and cotton (28 percent).

Iran and Turkey are still the largest exporters of Azerbaijan's products. It is from these countries that most of the goods that can safely be called "food" are exported. Practically all the funds allotted for it, and they amount

to approximately \$300 million, will go to purchase food products: 55 percent of the imports will be grain, flour, and raw material for manufactured concentrated feeds, 33 percent—meat and butter, and the rest—children's food, dairy products, and other products. At the same time it should be noted that it was possible to plan on this volume of imports as a result of special-purpose credit from the European Council, Turkey, and China, the overall sum of which will be \$161 million.

The volume of foreign trade turnover is taken into account in the draft of the foreign exchange balance sheet. The revenue part of it, according to the draft, will be \$700 million and will be formed from foreign exchange revenues from export operations (\$301 million), foreign credit (\$161 million), and also conversion of currencies of CIS countries, customs duties and fees, and other sources.

The republic will spend less foreign exchange—about \$670 million, \$410 million of which will be used for the needs of the national economy, including the aforementioned food imports, and also the purchase of medications, wheelchairs for disabled persons, and Ikarus passenger buses for Baku, and for solving problems of the railroad and the food and other branches of industry. Some of the foreign exchange funds are to be used for servicing Azerbaijan's foreign debt.

But still, in the words of O. Akhverdiyev, the foreign exchange balance sheet was drawn up taking into account the economic situation in the republic and its maximum capabilities, but not the real needs of the national economy, which amount to approximately \$1 billion.

Political Repression Statistics Noted

944K1036B Baku AZERBAYDZHAN in Russian
5 Apr 94 p 2

[Unattributed article: "From the Flow of News"]

[Text] About 500,000 people were subjected to repressive measures in Azerbaijan from 1920 through 1956, reported the chairman on the commission for investigating the affairs of victims of political repressions under the Fund for Culture of Azerbaijan, Murtuz Sadykhly. And 94 percent of the victims of repression by the Stalinist regime during the period of 1933-1938 were individuals of Azeri nationality, although only 70 percent of the residents of the republic at that time were Azeris. Practically none of the Armenians, who made up 11 percent of the population of Azerbaijan at the time, suffered, not counting several families of "transgressing" Chekists: because 80 percent of the workers of the republic's penal organs were Armenians.

UN Reports on Azerbaijan Humanitarian Aid

944K1036C Baku AZERBAYDZHAN in Russian
5 Apr 94 p 3

[Unattributed article: "Under the Aegis of the UN"]

[Text] Today we are presenting to the readers excerpts from the Aide-Memoire of the Interdepartmental UN Mission in Azerbaijan.

Our newspaper has already reported on the trip to New York by the UN representative in Azerbaijan, Dr. Mahmud el-Said. As a result of the negotiations that took place during the high-level meetings at the UN headquarters, a decision was made to send a special mission to Azerbaijan consisting of representatives of various departments, commissariats, commissions, and councils of the UN.

On the whole the presence of the mission in Azerbaijan can be considered to be a very important event. According to preliminary information, agreement has already basically been reached with the donor countries.

We asked Mr. Mahmud el-Said to comment on the results of the mission's work.

"The fact that the mission is coming here is the result of our close cooperation with the headquarters in New York and Geneva. The resolution previously adopted by the Security Council concerning the need to render humanitarian aid to Azerbaijan was of great significance. I am very glad that our efforts were not in vain. And the arrival of such a representative mission is a very significant result. This is the first time for many departments and commissions to send representatives to us. I am confident that from now on humanitarian aid to Azerbaijan will be increased considerably and, the main thing, it will become more diverse and targeted, responding to the republic's essential needs."

From the Aide-Memoire of the Interdepartmental UN Commission in Azerbaijan for Preparing the Appeal to the World Community

The UN interdepartmental commission visited Azerbaijan during 6-12 March 1994 to determine the humanitarian needs of the refugees who were forced to resettle and other of the more vulnerable segments of the population during the period from 1 April through 31 December 1994. The information gathered by the mission will be used when preparing the interdepartmental UN appeal for Azerbaijan, which will be submitted for mobilization of funds by donor countries in April 1994.

The mission was headed by the UN Department on Humanitarian Issues (OGV). It consisted of representatives from UNESCO, UNICEF, the UN Volunteer Program (PDO), the World Food Program (VPP), United

Nations Office of the High Commissioner for Refugees (UNHCR), the Food and Agriculture Organization (FAO), the World Health Organization (WHO), and International Organization for Migration (IOM). The mission was greeted and accompanied by the UN representative in the Azerbaijan Republic. The mission was given support from local representatives of the aforementioned organizations and also from the representative of the UN PR [expansion not indicated]. The mission would like to express its special gratitude to His Excellency Mr. President, the speaker of parliament, the deputy prime minister for humanitarian issues, the ministers and members of the government, and also the authorities of Imishli, Bardy, and Svatly, who rendered able assistance to the mission.

The mission conducted a survey of the number of refugees who were forced to resettle and the vulnerable groups of the country and evaluated these people's needs for targeted emergency aid.

The mission was informed by the government that the number of refugees in the republic comes to 250,000 (the majority from Armenia) and the number of people from within the country who were forced to resettle is 658,000. The latter were saved by fleeing from Nagorno Karabakh and regions of conflict in the western part of Azerbaijan. Of the 908,000 refugees, approximately 60,000 are living in tent camps that have been built and are well kept up and are currently controlled by the Red Crescent Societies of Iran and Turkey and the International Islamic Humanitarian Organization. Some of the rest have moved in with families, and others, the majority, are living in public buildings and facilities located all over the country.

The World Food Program (VPP) will provide the resettlers and the most needy refugees with additional food products, above all those who are living in public institutions.

In order to render aid in material and technical preparation for deliveries of humanitarian aid to the region the VPP has founded the Caucasian Organizational Consultative Department (KOKO). The main spheres of aid that were earmarked include increasing the handling capacity of the railroads and ports during circulation and transportation of humanitarian cargo.

The Office of the High UN Commissioner for Refugees will continue to satisfy the needs of most groups of refugees and those who have been forced to resettle. The Office of the High Commission will supply household goods through deliveries of nonfoodstuffs such as blankets, plastic sheets, soap, kitchen items, clothing, and footwear.

State Oil Production Figures Reported

944K1036D Baku BAKINSKIY RABOCHIY in Russian
5 Apr 94 p 1

[AzerTadzh report]

[Text] In spite of the immense material and financial difficulties experienced by the republic's oil extraction industry, again in March oil workers managed to maintain relative stability in their work and successfully fulfill the month's assignment and also that for the entire first quarter of the year.

According to figures obtained from the State Petroleum Company, in March 810,000 tonnes were extracted, and for the entire quarter—2,339,000 tonnes of oil. This was 4,000 tonnes more than was envisioned by this year's assignment but 217,000 tonnes less than last year, the decline of product amounting to 8.3 percent. There was also an 11.2-percent reduction in gas extraction as compared to the analogous period of last year.

GEORGIA

National Economic Priorities Examined

944K1071A Tbilisi SAKARTVELOS RESPUBLIKA
in Georgian 12 Feb 94 p 3

[Interview with Georgian Academy of Sciences Vice President Iver Prangishvili by Tamaz Ebanoidze: "It Seems an Academician's Lot Is Not Easy...": place and date not given]

[Text] That day, they made SAKARTVELOS RESPUBLIKA's special correspondent "cool his heels" before meeting with Batoni Iver. But don't think I'm complaining: I realize the Vice President of the Georgian Academy of Sciences is extremely busy, he's only in Tbilisi for a month and there are all kinds of people waiting to see him. Anyway, I did not sit idle while waiting: the Vice President's assistant made me a copy of the main points of the paper which Iver Prangishvili had given that day before a meeting of the Presidium of the Georgian Academy of Sciences—"A Conception-Program to 'Save' the Republic of Georgia." I read it eagerly.

Iver Prangishvili is the director of the Russian Academy of Sciences Institute of Problems of Control, the chief designer of AES [nuclear power plant] automation systems for Russia (formerly the Soviet Union and, in fact, the CEMA [Council for Economic Mutual Aid] countries), a professor and department head in Moscow's Physics Engineering Institute, the President of the Society of Georgians Living in Russia, the President of the Georgian Engineering Academy, the Honorary President of the Georgian Reformers Union, and a member of numerous international academies and associations.

I will try to give SAKARTVELOS RESPUBLIKA's vast readership a closer acquaintance with Batoni Iver and show the man and personality behind the resume. I

confess I got this vital information from the people closest to him (his wife, his assistant and coworkers).

Academician Iver Prangishvili is 63 years old, married to Tsiala Gugunishvili (an energy engineer); his son Archil is a doctor of technical sciences (incidentally, this young man was recently handed his doctor's degree—the first ever Georgian one—by Head of State Shevardnadze himself); and, so far, one grandson, a year old, who bears the same name, bless his heart.

"He is kind and good-hearted, always trying to make you feel good; he never acts superior. When we are in Moscow, he's at the Institute from 9 in the morning until 10 at night, and after he comes home he works until nearly three o'clock in the morning. Even on weekends he doesn't stop for a minute [as we can see, an academician's lot is not easy—T.E.]; he loves to read fiction, he's musical—he loves Chopin and Schubert. He's a loving grandfather, and everybody loves him" (his wife).

"He is kind and good-natured, he has a rare gift for sympathy, and he knows art very well. Every time he goes to Moscow he leaves me a thank-you card for our work together" (his assistant).

"He is energetic and industrious and thinks on a vast scale. In Moscow, even on the highest echelons, he is able to use his fame and authority to help Georgians of various ranks working in science, economics, or politics, who come to Moscow. It's amazing how many kinds of 'Georgian' concerns he can deal with during a two-week sojourn in Moscow. He is very humble, and not just for show" (close associates).

When it comes to humility and simplicity, I would like to say that several times I had to push him a little—surely forgivable in a journalist—to get him to talk about himself.

[Ebanoidze] Batoni Iver, you gave a paper today to the Presidium of the Academy of Sciences, the significance of which is clear from the title—"A Conception-Program to 'Save' the Economy of the Republic of Georgia." I've looked at its main points. We keep hearing the word "save" these days, and we have all kinds of saviors. How do you envision the country's salvation?

[Prangishvili] The Conception-Program to "save" the people from hunger and cold and stabilize the economy was prepared late last summer by an initiative group from the Georgian Academy of Sciences, the Georgian Engineering Academy, and the Reformers Union. It was submitted in September to the Head of State, who made use of several of the main points in a speech to Parliament.

The Conception-Program discusses problems that need to be solved immediately. These include basic supplies of essential resources, in particular food, fuel, and energy for the population and the economy. It presents proposals for urgent measures in the most basic sectors—industry, agroindustry, fuel and energy, and transportation.

In order to realize practical implementation of the economic reforms called for in the Conception-Program, the following conditions are necessary:

1. Put a stop to the tense crime situation and mafia organizations by instituting a state of emergency (mafiosi, also criminal organizations and individuals, do not like reforms and discipline);
2. Rather than a parliamentary republic, we need a republic with a strong head of state or president.
3. Institute strong discipline to rally the people and restore trust in the government (if the leaders can overcome the grave crime situation and correct it in short order, they will regain the people's trust);
4. Get rid of hyperinflation in the very first stage of reforms; we know that reforms are impossible in a time of hyperinflation. In general, it is most expedient to carry out reforms in sequence—first economic reforms (food!), then spiritual (freedom of speech and information), and finally political (parliament, a multi-party system, broad democracy).

In continuing the transition period, we need to reject the "shock therapy" model which calls for a swift transition to the market economy. It is too painful and will only work with massive foreign investment. For the transition period we need to create a mixed, multi-sector model which will ensure a relatively mild, gradual, and painless transition to the market economy.

In announcing a modified transition period, we have to form three provisional sectors of the economy.

The purpose of the first sector, the one that "saves," is to create the minimum amount of goods necessary for the estimated 5.5-million population's needs (1,500 kilocalories per capita). These goods need to be produced and distributed on a ration card basis, with strict state control, so that everyone gets his share of bread, milk, cheese, and other products providing a total of 1,500 kilocalories (below that amount, irreversible physiological impairment from hunger sets in).

The "save" sector must produce the essential foodstuffs providing the necessary calories (5.5 million times 1,500) at prices affordable to pensioners, and also meet people's transportation, fuel, and other minimal consumer needs. During the first stage, this sector must turn out 50 percent of total goods output.

The second sector should be the regulated market sector. Out of 300 to 400 product items, the state regulates the prices of 19 or 20 of the basic prime necessities, not by directive but by economic methods (favorable credits, tax breaks, and so on). During the first stage this sector will produce about 25 percent of total production output.

The third sector will be the free market sector; its role, importance, and share will gradually increase along with economic reforms. Prices in it are free, regulated by supply and demand, without state intervention. In the

first period, the free market's share of the economy will be set at 20 to 25 percent. This is the most efficient sector, because it makes maximum use of people's personal initiative and interest.

Alongside these three basic sectors there is also the "shadow" economy, which, in terms of its nature and effect, is quite different from shadow economies abroad. In other countries, the shadow economy is chiefly mixed up with narcotics, pornography, fraud, and tax evasion; in our country, the shadow economy chiefly involves the theft and sale of state and public property and mass speculation in gasoline, bread, flour, and other goods.

The transition period covers three to six years; at the end, we will convert to the market economy and the state "salvation" sector will no longer be necessary.

[Ebanoidze] Specific points in your paper deal with the vital importance of the fuel and energy, agroindustrial, and communications complexes.

[Prangishvili] Let's start with fuel and energy. The only way to "salvation" here is to institute a state of emergency in power consumption. We have worked out a three-stage conception-program of energy development. The first stage runs through 1995, the second runs through the year 2000, and the third runs through 2005. We have worked out a mathematical model and run a computer simulation to find a scientifically substantiated optimal variant of energy development.

During the first stage (1994-1995), an additional 6 billion kwh of electricity must be generated, for which, in particular, a tenth and eleventh power unit will have to go on line in the Tbilisi GRES [state regional power plant], and existing GESes [hydropower plants] will have to be renovated to boost their generating capacity and reduce losses. During the second stage (1995-2000), we will need an additional 6 billion kwh, for which a base-load 600-megawatt TES [thermal power plant] will have to be built near Kutaisi and which will run on local Tkibuli coal. A number of small and medium-sized GESes will have to be built.

For the agroindustrial complex, the Conception-Program provides a balance of minimally essential supply and demand of basic food items for the current year. The grain requirement this year in terms of physiological norms equals 2 million tonnes. Of this amount, the republic can produce 0.6 million tonnes; hence, we will have to buy 1.4 million tonnes abroad. We have calculated the necessary amounts of meat and meat products, milk and dairy products, sugar, potatoes, and vegetable oil and the amounts of money involved.

In order to alleviate the meat problem, the program recommends enlisting U.S. aid to build 40 modern hog farms in Georgia with the capacity to produce 100 million tonnes of meat annually. Plans call for keeping half the meat, the bones, and all of the hides in the republic; the United States will take the other half of the meat and sell it in third countries to pay the costs. The

program proposes that orchard and garden products be used to meet the needs of Tbilisi and Rustavi.

Let's see what innovations there are in the communications complex. Let me say generally that Georgia's communications network will be changed totally; Georgia is going to have a modern communications system.

One innovation will be a 2000-number cellular radio communications network. The project will be done by a U.S. firm; it will be implemented in May of this year, using World Bank credits.

With the help of the Siemens Company, a new 200,000-number digital telephone exchange will be built in Tbilisi to replace the old 100,000-number exchange, half of which no longer work anyway.

Also to be built in Tbilisi is a joint Georgian-Turkish optical cable plant. Some of the product will remain in Georgia, while the rest will be sold abroad.

A new local and long-distance digital telephone exchange will be built in Kutaisi and Batumi, accommodating 30,000 numbers.

Austria's Teletra Company is going to build two stations for modern satellite communications. There are other innovations as well.

[Ebanoidze] The "salvation" program calls for using the results of scientific-technical research done in Georgia and the adoption of new, modern technologies.

[Prangishvili] Clearly, rapid adoption of scientific-technical advances will play a big role in saving the republic's economy. Therefore, the new technologies, methods, and advances developed by our scientists are broadly recommended for a variety of economic sectors. The list of items I will tell you about now is really impressive:

The adoption of new, energy-saving technologies; the production and use of new medical treatments; the use of non-toxic biostimulants to boost grain yields; the establishment of bamboo plantations and the adoption of a new technology to make our own paper from it; the production of new medicines, vitamins, and extracts using local raw materials; the preparation of a liquid suspension (mixture) of coal for efficient use; and others.

Let us focus in more detail on a few items.

In the sphere of energy-saving technologies, the pulse-delivery principle in electrical and gas installations (instead of constant delivery) yields a 30-percent savings. We can use it in kitchen ranges, electric and gas stoves, and boiler facilities to excellent economic and ecological effect. This new principle is already being adopted in the republic's enterprises. We have also received orders from other countries.

The non-toxic biostimulants which our researchers have developed make it possible to double yields of corn,

wheat, soy, beans, sugar beets, onions, coriander, and other vegetables using practically no fertilizer, thus producing ecologically clean, toxic-free products. Large-scale (100-hectare) experiments in Lanchkhuti Rayon have been very encouraging and ought to be extended to other territories.

A third example—producing a coal suspension to use for fuel—reduces coal consumption by several dozen percent and enhances the ecology (pulverized coal mixed with water is used as fuel). [end of Prangishvili's answer]

The Institute of Problems of Control in the Russian Academy of Sciences is a world class research center. Iver Prangishvili has been connected with it for many years: he was the head of a laboratory from 1964, deputy director for science from 1970, and he was elected director in 1986. Let's look at that word "elected": if a 2,000-man collective in Moscow prefers a Georgian over two Russians to serve as their leader, you have to think that this man must greatly surpass them in terms of personality and business qualities. Iver Prangishvili is now in his ninth year as Institute director; among his numerous duties is that of carrying out vital missions for that vast country: for example, working out a conception for managing the overall development and improvement of Russia's economy, dealing with problems of reform and administration in Russia, and drawing up appropriate recommendations.

Since it was established, the Institute has turned out over 100 qualified Georgian specialists, including two other academicians—Vakhtang Chichinadze and Mindia Salukvadze. Iver Prangishvili has supervised the training of over 50 candidates and doctors. Of the Georgians working with him now, doctors of science Avtandil Anuashvili, Vladimir Zhorzhikashvili, and Aleksandre Shubladze are heads of laboratories; five are senior science associates, one is a doctoral candidate, and several are graduate students.

[Ebanoidze] Batono Iver, as you know, we Georgians often lose our sense of moderation—with all our numerous political parties, universities, commercial schools, newspapers, generals, banks, and travel agencies in one little country.... Now consider all the academies: the Academy of Sciences, the Academy of Agricultural Sciences, the Academy of Engineering (not to mention colleges such as the Academy of Painting), the Military Academy.... I've heard, as well, that a Medical Academy and an Academy of the Humanities are looming on the horizon.... And later, maybe, an Academy of Literature and Academy of Art.... Right now, though, will you tell us about the Academy of Engineering, which you are the President of. Does it justify its existence?

[Prangishvili] I envisioned the Academy of Engineering as a bridge between fundamental science and production. To put it figuratively, fundamental science ends with formulas, new principles and methods, which then need to be calculated, developed, designed, and put into

production. The Academy of Engineering includes several engineering centers which foster the revival of production and the development and adoption of new technologies. From this standpoint, the Academy of Engineering is already playing a positive role.

[Ebanoidze] Now, as the President of the Society of Georgians Living in Russia, would you please tell us what it does.

[Prangishvili] The Society has 95,000 members. Its purpose is to help Georgia and the Georgian people. We try to make Russia better acquainted with Georgian culture, Georgian traditions, our various accomplishments. The Society and its members put on benefit concerts and other cultural and educational events. The Society's financial base comes from members' contributions. We have helped around 10,000 Georgian refugees in Russia with lodging, jobs, travel back and forth, costing 50 million rubles. We have spent millions of rubles to make and distribute Georgian musical records. Our funds were also used to publish two or three editions of the newspaper DEMOKRATICHESKAYA ABKHAZIYA in Moscow, to provide the Russian people with correct information about what was going on in Abkhazia. We have organized and financed several television broadcasts about events in Georgia. I should tell you that our budget is over 100 million rubles.

[Ebanoidze] Batono Iver, could you tell us a little about your own personal scientific interests, perhaps singling out some of your more significant recent works?

[Prangishvili] Generally, I'm working on problems of control [words illegible]. They include scientifically substantiated control of enterprises, organizations, and sectors, the control and optimization of technological processes of complex systems and facilities.

Recently, my colleague Doctor of Sciences Avtandil Anuashvili and I discovered a new principle of visibility, and on its basis we developed the world's first computer system to visualize "invisible" phenomena and objects. Our discovery makes it possible to see objects and phenomena which radio and optical locators can't pick up and the human eye can't usually see (for example, the ultraspectrum and the infr spectrum). We have developed a system and device—sensory transformers which, if the human eye is equipped with such electronic-optical sensors, it can see objects and phenomena that are invisible today and, if it exists, "parallel life" as well. There are some other really nice and interesting things, but we can talk about them another time. [end of Prangishvili answer]

My last meeting with the Vice President was on 21 January. The next day he headed for Moscow, and from there, on 24 January, to Tashkent. On 25-26 January, the capital of Uzbekistan was hosting a conference of members of the International Congress of Industrialists and Businessmen, participated in by a Georgian delegation headed by Iver Prangishvili. The conference discussed

measures to quickly restore economic ties among enterprises of the former republics of the USSR and establish new, mutually beneficial relations.

Just before Batoni Iver was to fly to Moscow again, I wished him continued fruitful activities "outside of Georgia"—fruitful for Georgia and in general.

Patsatsia Charts Economic Reform Course

944K1070A Tbilisi SAKARTVELOS RESPUBLIKA
in Georgian 12 Feb 94 pp 2-3

[Republic of Georgia Prime Minister Otar Patsatsia's report at an expanded meeting of the Republic of Georgia Cabinet of Ministers on 9 February 1994: "The Country's Future Depends on the Implementation of Reforms and Revival of the Economy"]

[Text] At today's meeting the specific issue to be discussed is the draft indicator plan for 1994-1995 and the revised edition of the anti-crisis program of macroeconomic stabilization and systematic changes. In my report I will discuss the most important economic results of last year and the most pressing problems requiring immediate solutions.

Last year, important measures were carried out in the republic with regard to reforms and normalizing life, reflected primarily in the preparation of the necessary legal-normative base. The republic's leadership has substantially overcome the country's lengthy state of isolation, and good prospects are in store for foreign economic cooperation with the industrially developed countries and various international organizations. Joining the CIS and concluding the broad treaty with Russia have created an environment favorable to the republic's economic development, and so forth.

Nevertheless, owing to familiar political and social-economic internal and external factors we have not yet succeeded in activating mechanisms to stabilize the economy, or in overcoming the energy crisis. The result is that a substantial portion of our economic potential is cut off from economic circulation, and the crisis has become systematic and structural. This is reflected in the fact that the macroeconomic indicators of 1993 are only about half those of 1992. In particular, the republic's domestic product last year dropped by 46 percent, and national income dropped by 54 percent, falling to the 1964-1965 level. Social labor productivity has declined to the level of almost 30 years ago. Further development of the economy is gravely threatened by the fact that investment in the republic's production sphere has virtually halted. Only 10 percent of the total domestic product was spent on accumulation in 1993. The level of fixed assets put to work by centralized capital investment stands at only 6.6 percent of the comparable 1992 figure. The return on capital in the republic's economy declined by 45 percent, while the ratio of material costs grew by 30 percent.

The unemployment problem has gradually overwhelmed us, and under conditions of inflation and limited consumer resources living standards for most of the population are extremely low, and in some strata the problem of hunger is a reality.

A variety of substantial problems have accumulated in the development of sectors of the material sphere. As a result of economic and non-economic, domestic and outside destabilizing factors, a substantial portion of the republic's economic potential came to be cut off from economic circulation in 1993 and stood idle for months; naturally, this induced a further decline in the volume of production in every sector and complex of material production.

The situation that has taken shape in the agrarian sector is especially grave. The livestock and poultry population and productivity have declined, and indicators of supplies of crop and livestock products to meet the needs of the state and production have dropped. I will cite some figures: in 1993, 6.8 times less grain, seven times less potatoes, almost three times less vegetables, and 13.8 times less fruit were delivered to the state than the previous year. The three-year program to bring the agroindustrial complex out of its crisis, which was approved by a special decree of the Cabinet of Ministers, called for the procurement of 300,000 tonnes of top-quality tea leaf, 365,000 tonnes of grapes, 360,000 tonnes of fruit, 10,000 tonnes of tobacco, and 180,000 tonnes of citrus in 1993. All that the state got, however, was 132,000 tonnes of tea leaf (44 percent of the target), 71,000 tonnes of grapes (20 percent), 10,000 tonnes of fruit (2.7 percent), 36,000 tonnes of citrus (20 percent), and 600 tonnes of tobacco (6 percent). A substantial portion of these products were sold in circumvention of the state, through private agencies. Indicators of the procurement of other agricultural products also declined. A number of rayons simply do not acknowledge the necessity of delivering agricultural products to meet state needs. Last year, for example, practically all of the livestock products produced in the agricultural enterprises of Akhalkalaki, Ninotsminda, Dedoplistskaro, Signakhi, and Tsalka rayons were marketed in circumvention of the state.

The very grave critical situation in the agrarian sector is due to many factors. Most notable is the unstable social-political situation which has left its mark on all results of economic activity and prompted tendencies of squandering and looting state property and basically improper implementation of the first stage of agrarian reform and processes of destatization and privatization of state property, and so on.

The main thing, however, is that the measures taken by the Agriculture and Food Ministry have not been sufficient to stabilize the sector. Moreover, the Ministry proved unprepared to cope with the difficulties and problems generated by land privatization, the disarray in the centralized supply system of material and technical resources, and the reorganization of agricultural enterprises. In the state agricultural enterprises that do remain in the countryside

there is practically no economic mechanism at work, irrigation and drainage systems have been looted and wrecked, the technical base is in a shambles (most of the vehicles and tractors have been stolen or ruined), and no concrete obligation or responsibility for delivering products to the state exists, as the greater portion of loans taken out by most of the enterprises have regularly been written off to the account of domestic state debts or else deferred for three to five years.

The Ministry has also been passive with regard to forming market structures in the countryside, organizing enterprises based on different forms of ownership (private, cooperative, joint-stock, leasing, and so on), providing the necessary material-technical resources to develop agroservices, and adopting a state reciprocal contract system with producers of goods.

The tendency of production volume to go down also continued in the republic's industry. Preliminary figures indicate that the decline, compared with the previous year, stood at 25 to 26 percent and equalled the 1963 level. In this period, there was a substantial decline in amounts of fuel and products of industry, metallurgy, machine building, and light, food, and timber and woodworking industries.

The republic's economy has been negatively impacted by lagging energy industry development and energy supplies. In 1993, the republic generated 9.8 billion kwh of electricity, which was 84 percent of the previous year's figure and 91 percent of the total amount consumed. A portion of the demand was met by importing electricity from neighboring power systems. The oil production target was met by only 68 percent, and prospecting targets were met by only 69 percent. Instead of 500,000 tonnes of coal last year, only 82,000 tonnes were mined; of that figure, only 21,000 tonnes were marketable grade.

Keep in mind that energy is the sector which determines the operation of the whole economy, in particular the material sphere. Hence, that sector needs to be boosted as the basis for invigorating the economy. A governmental commission has been created to draw up an energy program and put it into operation in the shortest possible time. For our part, we must immediately make preparations to achieve a fundamental breakthrough this year in providing the economy with energy resources. This year we need to generate at least 13 to 14 billion kwh. To this end, we have to make more effective use of hydroresources. We need to rebuild and technically renovate hydrostructures.

In the coming years, and this year, we need to substantially boost coal production and perfect primary coal processing technologies. We need to carry out measures to stabilize oil production with the aim of producing 180,000 to 200,000 tonnes of oil per year. We need to expand the search for oil and gas.

Another thing: we need to start preparing today for the coming season, to ensure energy supplies. We will have to lay in stocks of at least 300,000 tonnes of fuel oil before autumn and put the energy infrastructure in order. This must be the prime concern of every ministry, department, association, and enterprise.

The republic's economic development is gravely burdened by the unsatisfactory performance of the basic sectors of industry enterprises of the light and food industries. Last year, in particular, the production of food industry products declined by almost 40 percent, and production output in light industry declined by 2.5 times. The 1993 production figures were: 20,000 tonnes of packaged tea (27 percent of the target), 5.6 million decaliters of wine (36 percent), 6 million bottles of champagne (40 percent), 30 million bottles of mineral water (25 percent), and only 50 million standard cans of fruit and vegetables (17 percent). And, as you know, these are goods that are not only essential to meet the needs of our population but also principal items of export and, consequently, essential in order to bring in imports. Hence, special attention needs to be focused on these sectors in the future.

You have to agree that our transportation systems are a complete shambles, and, unfortunately, this is equally true of all forms of transportation. The situation on the railroads is especially grave. As railroad officials have said so many times, it is going to take tens of billions of Russian rubles to restore the normal operations of the republic's railroads. In such circumstances it would be well for us to think about creating a fund to rebuild and develop Georgia's railroads with the help of European, Asian, and other interested countries.

Construction has almost halted in the republic owing to lack of resources. Amounts of capital investment last year were only 1.5 percent of the 1993 figure [as printed]; and the funds that were spent were not all that wisely used. Funds, which were skimpy anyway, have been wasted and are not being used to complete scheduled projects and make them operational. One direct result of that is that not one important industrial project was delivered ready for operation last year—yet many were supposed to have gone operational two or three years before. Capacity start-up indicators in sectors of the social sphere are extremely skimpy (105,000 square meters of residential living space, schools for 2,730 pupils, and hospitals with 138 beds).

Unfortunately, these gaps are partly due to subjective factors which need to be dealt with immediately. In particular, it is essential to deal with the capital construction plan and necessary financing by the beginning of this year [as printed], draw up a number of normative and legislative acts, strengthen reporting and accounting procedures, and so on.

The economic crisis has been especially hard on people's standard of living. Along with objective causes, the grave situation in this sphere is also due to the inflexible efforts of sectors in the social sphere. This is true specifically of the trade system. In particular, the state trade system and the consumer cooperatives have failed to provide the population with even minimum guaranteed supplies of prime necessities and essential goods, and their efforts are confined to the organization of a couple of normed items of food and bread. Hence, the population is

basically left to the mercy of the private sector and the kolkhoz market. In these circumstances, the private sector totally dictates prices on the consumer market.

In order to at least partly alleviate the situation, it is necessary to provide for the marketing of food and other prime essentials by the quota/norm method.

The health care system is in a state of emergency. The republic's population is virtually without emergency medical aid, which is just about criminal and needs to be corrected immediately. This needs more attention on the part of the Saknabtobproduktebi [Georgian Oil Products] Company's leadership, and emergency medical services should be the first to be provided with necessary amounts of fuel.

There are many other painful problems in this sphere. The population does not have the means to buy medicine at commercial prices. The cost of patient services has gone sky-high. To some extent this is why the number of patients in medical establishments has gone down recently and death rates have risen accordingly. The Health Ministry must study this problem immediately and report to us as soon as possible about the facts and the measures taken.

The question of the network of tuition-charging schools also needs to be looked at; the system is virtually out of balance with the need for specialists, the necessary material-technical base, and the number of professors and teachers required. Today this problem involves only material costs; in the near future it could bring about significant social difficulties.

In short, what is virtually an emergency economic situation has taken shape in the republic, and it will require immediate implementation of the appropriate measures. What this requires, in particular, is some well coordinated and, most important, effective and systematic steps taking account in advance of their social-economic consequences, overcoming elements of mounting chaos, and improving the quality of the regulation and directed management of the economy. Our experience—and the experience of others besides—shows that a purely monetary policy, despite its great importance, is not sufficient to achieve stability and solve the crisis under conditions in which market structures and relations on the micro-level are extremely underdeveloped. Hence, the Cabinet of Ministers believes the prime task is to connect financial stabilization measures organically to the revival of production, to measures of restoration, measures to achieve comprehensive improvement of the structural and management system and develop market structures.

Foremost among urgent measures under today's conditions, nevertheless, are problems of stabilizing and imposing order on the monetary credit and financial sphere; unless these are dealt with in a systematic way, it will be impossible to create the necessary conditions for reviving the economy.

The focus of comprehensive measures to get out of the republic's financial crisis must be on solving the money question. In order to comprehensively work out and implement the most acceptable form of the several possible solutions to this problem at this stage, it is advisable to create a governmental commission made up of officials of the National Bank, ministries and departments of finance and economics, scientists, and, if possible, foreign experts. It is also advisable to create a special, nongovernmental commission to work on the same problems.

The commissions will have to work out comprehensively substantiated and specified projects on money questions; we will have to map out the path to take: how long the coupon should remain in circulation, and how we can strengthen it during that period, when it will be advisable and possible to introduce our own currency and what prerequisites are needed for it, how we can create these essential conditions, whether direct entry into "ruble space" is inevitable (using the ruble), whether it is possible to join the currency union, and so on. We need to keep in mind, moreover, that money does not mean cash alone. Most of our enterprises today are isolated because we do not have account settlement abroad. This situation will be fatal if it continues. Hence, the commissions must urgently deal with this question. But even that does not exhaust the problem. We need simultaneously to work on balancing the republic's balance of payments and questions of foreign debt. Preliminary calculations are needed, otherwise any long-term stabilization of our currency is out of the question. At this stage we cannot afford to repeat the mistakes we made earlier, even though they were inevitable at the time.

From this standpoint, we cannot afford to slacken our efforts with the International Monetary Fund, the World Bank, the Euro-Association, and other international bodies. Our efforts along these lines must be corrected immediately.

The grave monetary-credit and financial situation in our republic, which is already bad enough, is made even worse by the existence of large amounts of overdue debts in a number of economic links. In the Sakgazi [Georgian Gas] Department system, for example, the total accounts receivable has reached the astronomical figure of 1.4 trillion coupons; in the Sakenergo [Georgian Energy] system it is 400 billion coupons, and in Navtobproduktebi it is 162 billion coupons. The Rustavi Metallurgy Plant owes Sakgazi 145 billion, Tbilisi GRES [State Regional Power Plant] owes it 580 billion, the Tbilisi Central Power Plant owes it 21 billion coupons, and so on. Navtobproduktebi's delinquent customers also include the Port of Poti (almost seven billion), the Railroad Department and its offices (19 billion), the Defense Ministry (six billion coupons), and so on.

The question of people's overdue bills for gas and electricity requires special discussion. Sakgaz's accounts receivable add up to 379 billion coupons, while Saken-ergo's add up to 200 billion coupons. The total amount of

the population's overdue bills is growing constantly. Under such conditions we probably ought to think about whether it might be best for the state to take over these bills.

Though somewhat late, officials of the National Bank have submitted proposals on mutual offsetting of accounts receivable, which we will discuss and approve at a meeting soon. The National Bank will have to exercise strict control over the implementation of decisions.

At this point I want to discuss an organizational aspect of the problem. **In the current economic emergency, it is advisable, for purposes of implementing a unified state economic policy, to discuss whether to make the National Bank subordinate both to the Parliament and to the Cabinet of Ministers. Resolving this question will make cooperation more directed and efficient and will improve coordination of the activities of the economically-oriented ministries and the banking system.**

Under conditions of the general economic and financial crisis, prices continued to rise intensively last year. According to preliminary expert estimates, consumer prices from January to December 1993 (including the kolkhoz markets and commercial outlets) rose by almost 90 times—that is, the average monthly rate of inflation was 45 percent; this is substantially higher than the previous year's figures.

In most cases today, retail prices are equal to and sometimes higher than average prices in Russia (on meat, sugar, vegetable oil, cigarettes, fish, and other items). This fact, in view of the fact that average wages in the republic lag far behind those in Russia, poses the danger that our already-skimpy domestic market will go empty. This makes it even more mandatory to bring wages, pensions, and so on into line. It is essential, however, first to resolve the question of currency stabilization, because it simply makes no sense to raise wages in today's coupons.

The Economics Ministry has pledged to submit to the Cabinet of Ministers in the next few days its own proposals on urgent measures to strengthen the manageability of price-formation processes and anti-inflation policies. These proposals must necessarily call for effective measures to strengthen and improve the price offices in the ministries and departments, enterprises, associations, and commercial outfits. Owing to a one-sided and false interpretation of the market economy, unfortunately, these central links of the economic service, in some ministries and departments, have not become stronger but actually weaker; in some cases this is reflected by their complete abolition. This is why, in some economic links, there have been cases of distortion and improper setting of prime costs, profits, excise and value-added taxes, and other elements of prices.

In our opinion, officials of the Economics Ministry have properly addressed the necessity of strengthening the price-formation service within the Ministry itself. Perhaps we also ought to think about the possibility of creating a scientific-research and information center in this sphere. What is needed above all, however, is to make more effective use of the actual resources we

already have. We need to put the price control mechanism fully into action, to be implemented by the price inspectorate service. We must put up insurmountable barriers to arbitrary price-setting that is devoid of any objective grounds in circumvention of the Economics Ministry on the cost of goods and services that are vitally essential to the public.

Under today's conditions, it is especially important to solve problems of supplying the republic with resources, providing the resources necessary to meet the state's needs, and to unconditionally enforce government decisions on export and import quotas and licensing.

Last year these targets were not met by the Ministry of Industry, the Agriculture and Food Industry Ministry, and the Defense Ministry (with regard to the production of agricultural and food industry goods), and this prevented fulfillment of trade and economic agreements on the governmental level.

According to 11-month figures from the Ministry of Trade and Material Supply, the following deliveries were made to countries with which we had inter-governmental agreements in 1993 (Ukraine, Kazakhstan, Azerbaijan, Armenia, Kyrgyzstan, Turkmenia, and Moldova): only 13.3 percent of agreed-upon deliveries of rolled ferrous metal, 57.5 percent of the steel pipe, 5.8 percent of the coal, 8.2 percent of nonferrous alloys, 15.1 percent of the lithopone, 20.6 percent of the lathes, 54.3 percent of the tower cranes, 7 percent of the trucks, 17.7 percent of the welding units, 10 percent of the mineral water, 6 percent of the wine, 1.8 percent of wine products, 34.7 percent of the tea, and so on. In general, no deliveries were made of farm product processing equipment, trailers, tractors, gas ranges, galvanic batteries, cotton fabrics, champagne, cognac alcohol, and others. Contracts in 1993 called for deliveries of 604.77 million dollars' worth of goods; in actuality, deliveries totalled only 100.26 million dollars' worth—16.6 percent.

Separate mention must be made of our failure to meet state obligations for the delivery of goods to Turkmenia in 1993, which is of crucial importance to the republic's supply of gas. Instead of goods worth 138.82 million dollars, only 46.65 million dollars' worth of goods were delivered to Turkmenia—33.6 percent of the commitment. Delivery commitments to the various countries through 11 months of last year were fulfilled as follows: 21.2 percent with Azerbaijan, 1.5 percent with Moldova, 1.9 percent with Armenia, 3.5 percent with Ukraine, 19.7 percent with Kazakhstan, and 8.5 percent with Kyrgyzstan. Accordingly, resource imports into the republic have been very small; we have large debts; state reserves have not been replenished; and we are getting the reputation of an unreliable partner.

We will probably be forced to forbid enterprises and organizations, regardless of their form of ownership, to ship products outside the republic until they fulfill product delivery quotas to meet the needs of the state.

On our instructions, the Economics Ministry has drawn up and submitted proposals on new delivery quotas for the most important types of industrial and agricultural goods to meet the state's needs; we will examine and approve them in a few days. Our position in this matter will be most firm and resolute. We will see to it that all enterprises, whether state-owned or private, which have commitments to deliver goods to meet the needs of the state, will unconditionally fulfill them in full.

We will carry out similar measures with respect to the regions. The prime task and matter of honor for every economic link and territorial unit must be to unconditionally meet target quotas. Every official—whether village- or republic-level—must have a sense of personal responsibility, otherwise any economic success is out of the question.

The country's level of foreign economic activity has declined badly in recent years. Our trade balance deficit with foreign countries stands at 10 percent of the republic's total domestic product; this is the highest figure in the past five years.

The disintegration of the former USSR's economic space and the breakdown in the mechanisms of clearing relations among the former republics, have greatly weakened our country's foreign-economic positions. Rising prices on imported goods have greatly outstripped the growth of prices on exported goods; naturally, this has made our country's negative balance of payments even worse than it was.

Georgia's joining the CIS and concluding trade and economic agreements with the Russian Federation have somewhat brightened the prospects of overcoming the crisis in the sphere of foreign economic relations. We are hoping to restore our traditional economic ties. Our main task, however, remains that of raising the integrated character of our country's economy and making maximum effective use of our potential for self-sufficiency.

One of our urgent tasks, as I see it, is to create a mechanism to protect our national economic space against undesirable outside factors; the mechanism must encompass an improved customs system, efforts to combat the removal of capital, the prevention of damage inflicted by economic expansionism, and so on.

Reform efforts, however afflicted with obstacles and shortcomings, are being carried out despite the republic's grave economic and crime situation. Our legal base was enlarged and perfected in 1993; a number of fundamentally important laws and legislative acts were passed. The first steps toward privatization were taken starting in March 1993. By the end of the year, 762 outfits had been privatized; over 42 percent of the state's housing stock was transferred to citizens' private ownership free of charge. Still, sad to say, these transactions were accompanied by the looting of state property and "hidden privatization," fostered in part by the fact that government structures have not been able to control the reins of

the management, protection, and use of state property. Not only that, even the most rudimentary record-keeping is not yet in place in the state sector. Many state enterprises, including those which produce vital strategic goods for the republic, have been totally plundered. We have detected cases of the sale of facilities at artificially reduced prices. We need a better system for selecting objects to be privatized, assessing their fixed assets, forming commissions, and carrying out other methodological and organizational measures. All of the above, however, fosters the theft and squandering of state property and gross violations of principles of social justice in the privatization process. The Property Management Ministry needs to deal with these matters in a more principled manner.

As soon as possible we need to compile a list of the enterprises and organizations which must, at the present stage of reforms, remain state property; we need to work out appropriate and precise procedures for their protection, management, and operation.

Owing to objective and subjective factors, agrarian reform has not been systematic and consistent. It has been drifting at random; property is being wasted and stolen. The reorganization of agricultural enterprises is basically just a formality. To this day, the republic still has over 1,200 kolkhozes and sovkhozes—yet their conversion to organizational forms characteristic of market structures was supposed to be completed back in 1992. This has generated much misunderstanding and depersonalization of the land, so that lands remain uncultivated. Some of the farms are loss-making, and their existence in traditional forms cannot guarantee profitable operation. It is essential, then, to immediately, before the end of spring farm work, to examine and decide the question of the organizational form of those enterprises. The country's agrarian sector needs to have new kinds of farm management such as individual farms, agricultural partnerships, cooperatives, and so on.

There are numerous shortcomings in this first stage of land reform, due chiefly to the fact that the necessary juridical base does not exist, lands are being usurped and occupied, norms of land area to be conveyed are being violated, household categories are being confused, boundary disputes are breaking out between villages, and other negative phenomena are taking place. Large areas of tea plantations, vineyards, and orchards have been misappropriated. In Ozurgeti Rayon, for example, 55 percent of the total area of tea plantations has been privatized in this way.

In Telavi Rayon, all the area allotted to unique varieties of grapes on the experimental nursery farm in Shalauri was parceled out to the population, who uprooted and chopped down phyloxera-resistant parent and root stocks.

People appropriated land areas of the Galavani Experimental Farm in Mtskheta Rayon, and experimental work stopped as a result. An eight-year-old industrial walnut orchard was chopped down.

Lands of the Skra Orchard Experimental Station in Gori Rayon were parceled out without authorization. People commandeered experimental plots and selective breeding orchards of many years' standing, and chopped down and uprooted high-yield plantings.

On the Dzalisi Seed Breeding Farm in Mtskheta Rayon, land areas allotted for the production of elite seeds were illegally given away. A similar situation prevails in Gardabani Rayon's Martkopa Experimental Station.

Considering the situation today, it is essential to carry out structural reform of the agrarian sector, which will bring about a change in the quantitative proportions of the layout of agricultural crops and sectors. In particular, we need to speed up the development of sectors which are of vital importance to the job of supplying the population with food. It is necessary to transform the food complex in accordance with the structural reform of the agrarian sector, in order gradually to liberate the country from food imports.

Because of the vital importance of anti-monopoly policies in state regulation of the economy, work continued last year on creating the necessary legislative base. A number of Cabinet of Ministers decrees were prepared and passed. Now it is essential to take effective, practical steps along these lines, otherwise it will be impossible to adopt free market mechanisms.

As we can see, today's historic stage of Georgia's statehood reconstruction is going on under very difficult and complex conditions. Our country's future will depend wholly on how soon and how thoroughly we can revive the economy and transform its structures and orientation in accordance with today's requirements.

During today's meeting we will hear the Economics Ministry's reports about overcoming the country's crisis, the stabilization program, and the indicator plan of the republic's social-economic development for 1994-1995. These will map out the most important strategic directions of the country's social-economic development, the parameters of development of particular sectors of the economy, and the specific system of economic policy measures necessary to accomplish this.

Our task is to undertake practical measures to implement our programs, plans, and decisions. This year must be decisive with respect to putting the country's economy on the path toward market principles. But this process must be carried out in a directed and integrated manner in accordance with our country's economic and political situation. In the future we must not allow the kind of situation in which we adopt forms of classical market relations in one sphere of economic life yet allow complete stagnation in other spheres. I repeat: the country's economic transition to market relations must be conceived of in entirety, as a package, and we must direct it within the framework of market relations without impairing those relations.

The effort to activate the system of state regulation of the economy necessarily requires precise coordination and subordination of the work of all the republic's ministries and departments—in particular, ministries and departments of economic profile, as well as focus on the key links in matters of economic policy and reforms. In this regard, we need to think about the necessity of enhancing the role of the Economics Ministry in the overall system of state administrative bodies, for that ministry must serve as the state's coordinating body in matters of economic policy. It must be constantly on top of the situation in every sphere of economic reform and economic life. It must provide top echelons of state administration with constant, well-substantiated proposals concerning ways to ensure that particular sectors of the economy are working at full capacity, measures to ensure the profitability of sectors and enterprises, the establishment of new economic and production ties, ways to change the profile of enterprises under the new conditions, measures to shut down, abolish, merge, or reorganize existing unprofitable enterprises, and so on. The Economics Ministry will have to provide us with well-argued proposals on how to strengthen the economic services in individual sectors and spheres of the national economy, individual enterprises and associations, state and non-state structures, autonomous republics, cities and rayons, and see to it that these are monitored and implemented in practice.

Unfortunately, the Economics Ministry today cannot give exhaustive answers to these and numerous other urgent questions.

It seems to us that the role and functions of the Economics Ministry, as the main administrative body for state regulation of the economy, ought to grow and be filled with new content in the process of forming market relations. We must think about formulating and enacting the necessary mechanisms for implementing this role and these functions.

Comprehensive realization of the principles of the market economy requires the efficient functioning of republic-level and local statistical and record-keeping services. Let me say frankly that unless this is done, I believe it is impossible to successfully build an independent state. We have not yet managed to obtain statistical information from state enterprises, let alone the private sector. According to official Sotsekonominpormi [Social Economic Information Committee] reports, only 45 percent of all industrial enterprises supplied the Committee with information reflecting the results of production activity in 1993; 732 enterprises failed to submit reports of the year's results.

It is no exaggeration to say that in the private sector, there is no such thing as statistical reporting. The state does not know who is producing what and how much, who is shipping what, to where, and how much, who is importing what and how much. Complete anarchy and chaos reign in this regard. This cannot go on any longer. Sotsekonominpormi officials, and the Committee as a

whole, must be more efficient and flexible to detect and completely cover statistical records on all our economic activities.

The Cabinet of Ministers is now again raising the question of the necessity of making Sotsekonominpormi be subordinate to it. Unless the quality and timeliness of the information are improved, I don't think it is possible to make correct economic decisions, much less implement them in a timely manner.

We are aware that today's meeting is being participated in by officials of the councils of ministers of the autonomous republics and local administrative bodies of cities and rayons, and so we deem it essential to raise another important question. It has to do with regional problems. Our task is to achieve political stability and economic development in the regions in order to provide public order and economic development on a republic-wide scale.

In the process of economic reforms we must take full account of local characteristics and potential; we must make rational use of the regions' natural, financial, and human resources and industrial potential; we must put these resources into economic circulation and promote the development of local entrepreneurship, in particular the kind that creates wealth, also small and medium-sized businesses. One of the most pressing items on the agenda is the matter of optimally harmonizing territorial and statewide interests and coordinating them effectively.

In order to accomplish these goals it will be necessary to make a thorough analysis and assessment of the economic situation and the state of production and the consumer market in each region, and to map out specific ways to get out of the crisis. We all know that state administration has virtually broken down in many regions, that crime and economic chaos have devastated their economy and made economic reforms slow or practically impossible.

Local administrative bodies need to take measures to normalize the economic and social situation in the regions, while the central state authorities, in particular the appropriate structures of the government, must be much more exacting toward the management and economic regulation of the regions in order to implement economic reforms properly and restore and reactivate economic services.

It is essential to make a scientific study, preliminary determination, and substantiation of the strategic directions of the regions' social and economic development, draw up appropriate programs, and strengthen territorial aspects of indicator planning. We have to admit that the rich experience and scientific potential which the republic has in this regard are not being properly utilized right now.

The Economics Ministry will have to take steps to restore the economic services in the regions, draw up indicator plans for each region, and strengthen relevant scientific-practical research. We are ready to discuss and, as far as possible and to the extent it is advisable, to decide on proposals that have been submitted to the Cabinet of Ministers for this purpose, including the proposal to create scientific-research centers concerning economic and social problems based in regional departments of the Economics Institute.

As we can see, numerous economic and social problems have built up in the country. It will take the dedicated effort of every economic link to solve them. Every ministry and department will have to step up their efforts along these lines. In this regard I want to make special mention of the importance of our entrepreneurs and private structures. I am aware of how the role of this sphere is growing both in terms of overall production volume and in terms of meeting the population's need for goods and services. I ask the representatives of that sphere to make a bigger contribution toward solving the tasks of statehood. Don't be angry if I say that there are still too many cases where the republic's interests are of hardly any concern to certain outfits and businessmen. We will have to overcome that mentality and those tendencies; we will have to band together in the effort to restore the economy to health and solve social problems, in order to provide guarantees to overcome the crisis and further enhance the economy.

Industry Minister Outlines Enterprise Financing Obstacles

944K0939A Tbilisi SAKARTVELOS RESPUBLIKA
in Georgian 1 Feb 94 p 3

[Interview with Industry Minister Vladimir Kereselidze by Armaz Saneblidze, Donetsk-Kiev-Tbilisi: "Economic Passions. A Triptych for Two Ministers and a Vice President"; date not given]

[Text] Of course you remember the words in the subtitle below, from Genesis, when Adam and Eve realized they were naked.

The race of Adam lives on this "cursed ground" because of him (3:17) and must "eat bread in the sweat of his face until he returns into the ground" (3:19).

We toil for our sustenance all our lives in this era of night herdsmen and ministers.

And we seek a way out by making aprons appropriate to the times, to cover our nakedness.

Even today. But on a grander scale.

We talked to Georgia's Industry Minister Vladimir Kereselidze on specific subjects of practical value, for we've had it up to here with the tea, citrus, Borzhomi water and the strong, healthy economy promised at rallies.

"And They Sewed Fig Leaves Together, and Made Themselves Aprons"

[Saneblidze] My first question, Batono Vladimer, is about the 32 percent your enterprises are not paying to the state. Why are they hiding it?

[Kereselidze] You mean the funds our enterprises have in Russia. They add up to a lot, but we can't get them—that is, we can't bring them back to Georgia, so the money circulates in Russia.

I personally am against any deviation; the law is the law, and I try to obey it. The republic budget should be getting its due.

[Saneblidze] You are aware that practical executives have their own practical arguments as to why they aren't bringing the money into Georgia.

[Kereselidze] If they don't put the money to work there, in Russia, Georgia's enterprises will just shut down. You know the banking and credit system has broken down and transfers between countries have been stopped. And, nobody wants our coupons. The only chance our factories have now is to circulate the money in Russia, for example, to use it to buy the materials and supplies the enterprises need. Is that a crime? I think not. But, again, we have to obey every lawful requirement.

[Saneblidze] Neither sinful nor sinless.... Specifically, how much does this action by enterprise executives help Georgia's economy—or does it?

[Kereselidze] Of course not. The situation has to be corrected, but that is often beyond the powers of enterprise executives.

Let's be specific.

I mentioned that money circulation between the independent countries has been stopped. Here we are in Ukraine, and one of my main tasks is to bring it about that the Ukrainians' debts go to work in their own country. For example, Tbilisi's Elektroapparat and Kutaisi's Automotive Plant have money here that they got from selling their products, yet we can't transfer it from Kiev to Donetsk Oblast—Makeyevka—in order to obtain goods in exchange from that city's enterprises, because Ukrainian law forbids it.

The intergovernmental agreement we signed should change this status quo. That's the goal of me and our delegation.

[Saneblidze] I almost hate to ask, but do you think Georgia's joining the ruble zone is the way to solve the problems of money circulation between countries and, hence, industry's problems?

[Kereselidze] Of course, if they'll have us!

[Saneblidze] Why?

[Kereselidze] First, because rubles are rubles and coupons are coupons, whether Georgian or Ukrainian coupons. Both countries are suffering from hyperinflation, so naturally they aren't interested in our coupons, nor we in theirs. If a unified zone is created—call it the ruble zone—the problems that today are unsolvable for the above reasons will be solved.

[Saneblidze] Finance experts (and others besides) think that the only way to strengthen Georgia's finances is to revive our economy, specifically industry. What are the prospects?

[Kereselidze] Economists and finance experts have their own ideas on that. I'm not the kind of man who has a ready answer to everything. I'll just tell you what industry's contribution to the revival of Georgia's economy will be, in the Ministry's framework.

The Industry Ministry was formed by combining the Light Industry Ministry, the Timber and Woodworking Ministry, Local Industry Ministry, and plants formerly under Soviet jurisdiction. That accounts for its large share: the Ministry complex accounts for 50 to 55 percent of Georgia's production output. That shows the role it plays in our economy.

A lot has been said about the causes of our woes, by your newspaper in particular. The main thing, however, is that the vital ties our industry used to have with Ukraine, Russia, and other former Soviet republics were broken. These ties have to be restored. That is the purpose of all our trips to these countries.

I've already mentioned the other necessity and need not repeat it.

These things will create the economic climate to help put industry back to work.

Another thing: unless the problem of natural gas supplies and electricity is solved, industry cannot function, and the ties we are trying to restore cannot operate. In addition, our enterprises have been operating at 20-percent capacity until now, but in the near future we will wish we had even that. We hope that the tremendous efforts we have made along these lines will yield results. Last December we concluded an agreement with two major committees in Russia; one of them oversees the machine-building sectors and eight ministries, while the other oversees the military-industrial complex. We have signed an intergovernmental agreement with the latter. Questions of licensing, quota-setting, and customs duties between Georgia and Russia have been completely settled in our sector.

Let no one think that the Ministry's leadership is sitting idle and waiting to join the ruble zone.

I have met with officials of Russia's chemical and metallurgical complexes, and documents have been prepared to conclude the appropriate agreement.

This means we will be bringing in the raw materials, components, and supplies our enterprises need; for some enterprises these make up 90-95 percent, for others it is less.

If, in addition, we restore banking transactions, industry will go to work.

[Saneblidze] But some specialists doubt that our industry can start operating, arguing that the plants' and factories' equipment has been looted and cadres have departed.

[Kereselidze] That's partly true. Policies in recent years have caused a certain alienation between the Ministry and, for example, plants formerly under Soviet jurisdiction, which have gone virtually uncontrolled. For this and other reasons, there have been cases of unwise privatization, specialists have quit, and equipment, sad to say, has been looted. I had occasion to discuss that in an article in your newspaper. But I also want to say that executives, engineering-technical personnel, and workers are itching to go to work.

If we can systematize all this there is no danger of not being able to revive our enterprises.

And industry will certainly go back to work.

[Saneblidze] When?

[Kereselidze] Tomorrow! Day after tomorrow!—but only if the above conditions are met and, in addition, we get offers from the privatized enterprises to work together, requests for the Ministry to continue partnership with them. I am certain that privatization will yield the desired results when the state treats the privatized enterprises with the same consideration as those still in the state sector, because ultimately every enterprise has to work for the market, and closely with each other as well. There are, for example, the Amirani, Kolkheti, and Bakhtioni factories and many others, making up a unified link with a different form of ownership.

[Saneblidze] About bank credits and your Ministry: do you need loans from the state?

[Kereselidze] Of course we do, but debts have to be paid back. If an enterprise doesn't work, how can it get out of debt? Georgia got 60 million dollars in credit from Turkey, and all the Industry Ministry got was about 2.5 million, which is definitely not in accord with the share our complex occupies in the country's economy.

Another thing: Western credits ought to be spent boldly on conversion, choosing options that are economically sound and profitable, so we can invest to create a base producing consumer goods, sell the products, and thus pay our debts. What's wrong with that?

[Saneblidze] Problems keep mounting, and our readers need to hear an encouraging word and some specifics.

[Kereselidze] Let me assure your paper's readers and the public that the Industry Ministry and its whole complex have the ability to accomplish the tasks they face.

A program has been worked out for 1994, with all the enterprises participating, and plans have been mapped. Our prognosis calls for a twofold (or more) increase in production output; our Ministry has approved its privatization program; we have worked out an investment program for the Ministry's enterprises and published it in English to attract foreign capital to Georgian industry. We are working intensively to attract foreign partners, and Australian, German, and American specialists are working on specific tasks in this effort. It involves, for example, the Mining-Enrichment Combine, the Rustavi Chemical Fiber Plant, the Gori Cotton Mill, and others.

All of these programs will go into action and will, of course, produce results. But until then we have to accomplish the prime tasks mentioned above.

I think everything is going to go the way the Georgian government's strategic plan calls for, and we must not try to do everything at once, nor yet too little either.

Debts, debts! Nearly everybody in the country is in debt to Sakgazi [the Gas Department], to the tune of a trillion coupons.

For this reason, Sakgazi can't pay a kopek to the countries over whose territories the gas we get from Turkmenistan flows; it can't pay the transit fee.

Where are we going to get the 40 million dollars it will take?

A piece of late news: Last Saturday, Sakgazi official Davit Eliashvili came back from Turkmenistan and said, We're beaten.

Because we are so far behind, on 1 February Turkmenistan would no longer supply us with gas and.... But let's not say what would have happened then, because our guys wheedled them into postponing it until 1 April.

And that day will come. Last year's 200 million dollars will have this year's amount added to it (already 25 million in January). Hence, industry has to go to work, there's no other way.

The great physicist Albert Einstein once said, What mankind needs most now is a chair to sit down on and think.

Well, because of "meteorological conditions" we've had to sit for two days in the Donetsk Airport's waiting room. We've said what's on our mind. The three participants in our triptych have had their say and left us with their thoughts.

To all this let me add one thing. From 1945 to 1950 Japan took vigorous measures to dismantle its centralized

economy and convert to the market economy. This big turnaround took place in two stages.

In the first stage they gave priority to administrative measures of regulation, affecting price formation, finances, credit, allocation of resources, and wages and salaries. Along with filling the markets they carried out stern measures to restore financial health and curb inflation.

In the second stage they created the conditions necessary to develop competition, get rid of price controls, liquidate subsidies and budget deficits, and introduce a single exchange rate for the yen. And what they ended up with was today's remarkable Japanese economy.

Many people in our country reject this kind of phased development—after all, we are tougher, we'll just get to work and get around any economic obstacle.

But before we start boasting like hillbillies, let's sit down on that chair and think.

The Donetsk Airport is as quiet as Georgia's economy. The white airplane is shrouded motionless in the fog and time stands still.

A crow is perched incongruously among the skittishly arranged lines of the garden's black branches and reacts to nothing.

The crow is 299 years old.

"You're not afraid of anything, are you?" (Galaktion Tabidze [a poet]).

Zankaliani on Trade, Supply Ministry Concerns

944K0937A Tbilisi SAKARTVELOS RESPUBLIKA
in Georgian 27 Jan p 3

[Interview with Murtaz Zankaliani, Minister of Trade and Supply, by Armaz Sanablidze, Donetsk-Tbilisi: "Economic Passions. A Triptych of Two Ministers and One Vice President": date not given]

[Text] Nothing original about it—a banal situation expressed in a banal way: the Kiev airport was socked in by fog. An hour after taking off, our big bird was forced to land in Donetsk.

All the city airports in Ukraine closed down on 11 January, and the Georgian government delegation was stuck between Tbilisi and Kiev.

We had all kinds of time. Immersed in the murk, nobody was in any hurry, owing to the "meteorological conditions," and it therefore became possible to talk about economic problems with three professionals, very frankly, on a subject that was very popular and not very dangerous.

"Was it a mistake for Georgia to introduce the coupon, and if so why?

The answer to this question began the interview with Murtaz Zankaliani, the minister of trade and supply.

The First Raiment

[Zankaliani] The trouble with our economists (I'm an economist so I'm speaking mainly of myself) is that we are wise after the fact. None among us in Georgia could have predicted it. It is after we come to the abyss that we find we've chosen the wrong path. That was the case with the coupon. I voiced my own skepticism toward it in Parliament. But that's not the main thing. The main thing is that after we introduced the coupon we had no other choice. We had no other currency, and of course we couldn't leave people without pay.

[Saneblidze] Were there previous mistakes that brought us to this predicament?

[Zankaliani] Our mistake was that we should have stayed in the inflated ruble zone until we were kicked out. We should have had the coupon and the lari [the proposed Georgian national currency unit] ready the way many republics of the former USSR had their own currency. We were too hasty, rejecting the Russian ruble prematurely, although by October 1992 no more rubles were coming in from Russia, and all of our government's attempts to get rubles were futile. The reason was that in August 1992, in Bishkek, where the question of whether to remain in the ruble zone was being decided, we did not have a clearly formed position, although Russia's representatives easily read between the lines and knew that we would be the first to quit the ruble zone. That's why they cut us off from the ruble supply source. We had in effect quit the zone too quickly. In March and April 1993 we had no Russian money at all, so we had to introduce the coupon whether we liked it or not.

[Saneblidze] The political background? Didn't it influence that decision?

[Zankaliani] Anti-Russian sentiment, of course, was one of the main reasons. We realized later that that categorical stance, which I criticized at the time, was wrong. We had been integrated in the Soviet economy for 70 years; for 200 years we have not run our own country as we saw fit, with our own resources. Any minister in that period, for example, working according to Soviet instructions, was virtually a robot. And not just ministers, either. Things were like that on all levels, in every sector. We should have learned to run our country first, we needed a kind of adaptation period. But we tried to do everything at once. There is probably not a man in Georgia who thinks that Georgia does not need absolute political independence, but economic independence cannot be achieved just by revolution and breaking up the old order. Georgia was so much integrated into the former unified Soviet economic complex—raw materials, supplies, components, energy, standards (an electric locomotive assembled in Tbilisi could only be operated, for example, within the former USSR), and, finally, the marketing system—that breaking up the ties without

having something new to replace them was tantamount to cutting vital arteries. Experience has once more confirmed this sad truth.

Economic independence requires gradual preparation; being hasty is like building a house from the roof down. That's what we tried.

[Saneblidze] There was probably a political motive behind this?

[Zankaliani] Of course, but I'm sure that the politicians who were so vehemently opposed to these ties and relations have now realized the error of this position.

[Saneblidze] Let's return to the coupon as an attribute of our economic independence....

[Zankaliani] The coupon did work for a few months. The biggest plus was that it was accepted by the market and the peasant. For the domestic market, for the closed-cycle economy (from the producer to the consumer within the borders of Georgia), the coupon seemed to be adequate. But that economy is extremely small. We have to import energy, raw materials, and supplies from outside, you know. When our supplies ran out and we had to bring in more, the coupon couldn't do it. Neither agriculture nor the peasant could work. Worse, the peasant couldn't even bring his crops to the city to sell. The situation required Russian currency or some other foreign currency. Inflation skyrocketed. In a few months, the coupon-to-ruble ratio rose from 1 to 10 to 1 to 100. The coupon became worthless.

[Saneblidze] What do you think of circulating the coupon and the ruble on an equal basis within the republic?

[Zankaliani] I'm a little ambivalent. We have got together several times with Vice Premier Amiran Kadagishvili to discuss the problem. Two positions have emerged. The first is to permit parallel currencies—rubles, dollars, francs and others—along with the Georgian coupon (or lari). The second is to seek ways and means of keeping the coupon as the sole medium of payment. I have not yet formed an opinion, although I do lean toward the parallel idea, because, like it or not, we have to import supplies and raw materials which the coupon cannot buy.

Our governmental delegation intends to conclude agreements with various countries on trade and economic cooperation. A special place in this package is held by clearing relations. If Ukraine agrees to such a relation* (*Footnote: Readers of SAKARTVELOS RESPUBLIKA know that the Ukrainian government, in an agreement concluded with the Georgian Cabinet of Ministers on 12 December, made a sole exception for our country and decided to engage in cashless settlements—commodity clearing—for Georgia alone.)—Russia, Azerbaijan, Kazakhstan, and others have already made that decision—it will strengthen the coupon to some extent. But the ties we are arranging on the inter-state level are still

too small, because basically everything goes on in the non-state sector, on the level of direct relations, and making parallel currencies official will constitute acknowledgment of the actual situation.

Officially, the coupon is the sole medium of payment. This decision is not backed up by any law or normative act, so the state cannot punish violators.

What shall we do?

Let us legalize the existing situation, but... a portion of Georgia's population, you know, is classified as socially unprotected. For a certain period, at least, the country won't be able to pay wages and pensions to these people with Russian currency, even in part. For that reason, I'm a little afraid of my own proposal to introduce parallel currencies.

But if the agreements we get on these trips of ours enable us to give absolute guarantees to Georgia's socially unprotected population that we will accept their coupons for bread, sugar, shortening, salt, matches, and so on, also rent and utilities, if we accept only coupons on public transportation—if we protect their vital interests in this way—then we can introduce parallel currencies.

This will not be as frightening as some think. In many countries, including Ukraine, the coupon is the national currency, the sole medium of payment. In parallel fashion, there are two-way currency exchange offices, and nobody makes a fuss over it. We distort things: Hey, take your coupon and try to exchange it for a ruble and see what you get.

That's another reason parallel currencies are needed.

[Sanablidze] What about doing away with the mafia's ability to make money with money?

[Zankaliani] Yes, their ability to make money from money is a distortion of the classical formula of money-commodity-money (without which even the classical banking country cannot exist). We will never get a market economy that way. Sorry to say, Georgia does not yet have any real major businessmen and major entrepreneurs. No one has even opened a tiny shop to produce combs. A real businessman would generate so much capital in his business that he would have 10 to 15 percent profit at the end of the year. What is happening in our country is abnormal. There are those who think that buying butter cheaply in Moscow and selling it dear in Tbilisi is real business....

[Sanablidze] How do you see the problem of the parallel currency proposal and our entry into the ruble zone?

[Zankaliani] I know that some countries (Belarus, Tajikistan) are headed that way. But I also know that Russia's economists are definitely not in favor of that idea. Specialists in Moscow assured me that if Belarus returns to the ruble zone it will require printing up an additional trillion rubles, which will spark a 10-percent rise in the Russian currency's inflation.

Even if we were to try very hard to get back into the Russian ruble zone, they wouldn't accept us, and rightly so.

Nevertheless, entering the ruble zone is not ruled out. It depends on what the West actually does to support us—if there is an increase in aid, financial injections and investments, if the situation in the country calms down, and if our economy revives according to the program whose foundation we are laying with these visits, a different situation may take shape. But if none of this happens, the situation will get so much worse that we will have to beg Russia on our knees to take us into the ruble zone.

As a Georgian and a citizen of my country, I don't want that to happen, because when another country's currency is in your country, that country calls the shots.

We need to take the roundabout route. But I greatly fear that we will end up having to join the ruble zone.

[Sanablidze] So reviving our economy, making it work, is one way to establish a national currency. Do I understand you correctly?

[Zankaliani] Yes. A Georgian currency needs Georgian commodities. The Japanese, who have no real natural resources, have put their wit to work. We are poor too, we have counted it up and all our efforts can't even meet one-fifth of our needs. In such a situation, the state, the government will have to manage a certain portion—perhaps 30 percent—of our resources in the transition stage; the other 70 percent can be allocated by the market economy.

Well, now we are organizing that management in the Cabinet of Ministers. We will put the clearing method into action, export what we have and import what we need. Our ministry and the services which we have created will be the catalysts of coupon sales. This will reinforce the coupon.

[Sanablidze] You said in one interview that other countries in our position have introduced their own national currency or a substitute for it and, to stabilize it, received 60 million dollars in credit from the World Currency Fund. How about us?

[Zankaliani] They have treated us badly. They gave 60 million dollars to Kyrgyzstan so that country could introduce its own som. For us they couldn't even spare 60 dollars. I know that the National Bank and the Finance Minister are working on these problems, and maybe something will work out, especially considering that we have been given the status of a developing country. We have to work on that.

An interesting detail: just 20 million dollars would be enough to retrieve the mass of coupons that have been issued to the public; that's how high the coupon's inflation is. If we do that, maybe it will enhance wages paid in

coupons. We really do need to make coupons the sole medium of payment in Georgia. We have to work on that too.

[Saneblidze] That is the only solution. Now, another problem—the managed 30 percent of our resources, the rest for economic reform. How can these two extremes—centralization and reform—coexist?

[Zankaliani] The non-state sector is the only way to develop the country, its future. But the state must make the effort to support it. In France, for example, the state sector makes up 53 percent (meaning the form of ownership). The decision has to be made whether this store or that enterprise belongs to a company, a joint-stock company, or the state. And whoever owns it has to run it.

If we do not provide the people with social protection, they won't allow us to build a market economy. Hence, the economy cannot exist without state regulation.

Anyone today who is thinking of amassing money and living in Georgia is making a big mistake. If you have money, put it to work, use it to create jobs.

Businessmen and entrepreneurs need to give careful thought to these matters.

It is entrepreneurs of the Saradzhishvili type who will save Georgia.

In conclusion, it should not be hard, going by world experience, for these seemingly mutually exclusive forces—structures operating by the principles of centralized, state management and those of the market economy—to coexist.

Generally, however, discussions of these problems, for some reason, go by the closed-circle principle: bankers sit by themselves, entrepreneurs sit by themselves, and supply specialists sit by themselves. We need to look for integrated approaches.

[Saneblidze] I'll take that advice, and I want to ask your opinion about the 32 percent, which remains an unresolved problem in the argument between the banks and the entrepreneurs. Why can't they agree?

[Zankaliani] That is called currency/foreign exchange earnings. A country which converts to its own currency passes a law that business concerns, and so forth, which have foreign currency coming into their accounts have to give the state a certain percentage by exchanging it for the local currency. That law was passed last April, but to this day not a single ruble has come in. Quite apart from private firms, even our state enterprises are leaving the money they earned from product sales in Russia. That money is circulating there and benefitting Russia's economy. That's one of the reasons for our misery. If we could regain this money by way of expert appraisal, it would add up to about 40 billion rubles, or 5 to 10 million dollars.

There are ways to correct the situation, and we ought to do so.

Agrarian Party Charter Presented

944K1072A Tbilisi SAKARTVELOS RESPUBLIKA
in Georgian 16 Feb 94 p 3

[Agrarian Party of Georgia Press Center announcement and Charter]

[Text] On 19 January of this year, a combined congress of the All-Georgian Farmers' Union, the Georgian Peasants' Party, the Georgian Farmers' Association, the Georgian Landowners' Union, and the Georgian Farmers' Party was held.

The congress discussed the very strained political, economic, and social situation in Georgia and ways to solve the crisis.

In order to revive the agrarian sector and bring the country out of its crisis, the congress decided it is necessary to create a powerful, unified party, namely the Agrarian Party, to unite all the forces and supporters working in the agrarian sector in order to provide for the material wellbeing of the republic's working people.

The congress founded the Agrarian Party incorporating the above-mentioned social-political organizations.

As chairman of the Agrarian Party of the Republic of Georgia the congress unanimously elected Doctor of Agricultural Sciences Roin Liparteliani, a member of the collegium of the Parliament of the Republic of Georgia and chairman of the Agrarian Commission.

As deputy chairmen the congress elected Bidzina Meladze, Badri Tsertsvadze, Niko Gelashvili, Anzor Uchaneishvili, Davit Sabashvili, Raul Babunashvili, Nodar Kokhleidze, Bondo Papidze, Robizon Kaladze, Rezo Esadze, Anzor Charkseliani, Otar Tsomaia, Shalva Kekelia, Vazha Iakobidze, Giorgi Tsitlanadze, and Nodar Mindiashvili.

The congress elected Zaur Charkseliani to serve as the party's General Secretary and Pasionaria Gedzhadze as executive secretary.

CHARTER OF THE AGRARIAN PARTY OF GEORGIA

I. GENERAL PROVISION

- 1.1. The Agrarian Party of the Republic of Georgia (henceforth APRG) represents a political association of citizens founded on democratic principles and functioning according to the Constitution of the Republic of Georgia, the law "On Citizens' Political Associations," and this Charter.
- 1.2. The Party is a legal person with its own round seal, letterhead, emblem, and other attributes, also settlement accounts and other (including currency) accounts in banking institutions.

The Party has its own symbols, to be approved by the Presidium of the Union.

- 1.3. The Party is authorized to own property, to buy, convey, lease and lease out various types of real estate and chattel, and act as plaintiff and respondent in a court, arbitration or mediation court.
- 1.4. The founding of the Party takes place at the Party's Constituent Congress.
- 1.5. The Party operates all over Georgia. The Party Headquarters is located in the City of Tbilisi, Republic of Georgia.

II. PURPOSES AND TASKS OF THE PARTY

- 2.1. The Party's prime goal is the fundamental social-economic transformation and revival of agriculture with a view toward transition to the market economy, which, by correlating traditional and new approaches, will foster the economic and political strengthening of the Sovereign State of Georgia, the social transformation of the countryside and spiritual revival of the peasantry, improvement of the living and working conditions of workers in the agroindustrial complex, the formation of an entrepreneurial stratum, the creation of conditions fostering the free labor of workers and peasants, safeguarding of the environment, and providing for the population's ecological safety.
- 2.2. Of the various forms of property ownership, the Party favors private ownership of the land and acknowledges free labor and the right to dispose of one's own crops.
- 2.3. The Party aids Georgia's leadership in achieving genuine independence and restoring the state's territorial integrity. It strives for the consolidation of society, overcoming of the economic crisis, reform of the national economy, establishment of law and order, and the protection of citizens' life, property, dignity, personal liberty, and rights.
- 2.4. The Party strives to restore abandoned villages, harmonize relations between highlands and valleys, the city and the countryside, and to regulate demographic processes; it takes active part in passing and enforcing improved labor legislation and in drawing up legislative acts concerning agriculture and the use of natural resources.
- 2.5. The Party helps in developing the material-technical base of agriculture and the processing industries, fostering the agroindustrial complex's transition to the market economy and the economic exploitation of its potential. The Party's task is to rally agricultural workers in order to achieve practical implementation of the agrarian transformation program which the republic's leadership has worked out to revive the economy of the independent Republic of Georgia.

In accordance with the Constitution of the Republic of Georgia and laws in force, the Party exercises the right of legislative initiative and takes part in the formation of state government and administration.

III. MEMBERSHIP OF THE PARTY

- 3.1. A citizen who is 18 years old or more and who shares the Party's goals and its Charter may become a member of the Party.
- 3.2. Membership in the Party is attested by a certificate of membership in the APRG.
- 3.3. Acceptance into the Party is by the decision of the leadership of the Central, regional, rayon-level, and local organizations, on the basis of a personal application.
- 3.4. Resignation from the Party is on the basis of a personal application.
- 3.5. Expulsion from the Party is by decision of the local council, which may be appealed at a meeting of the Presidium.

IV. ORGANIZATIONAL STRUCTURE OF THE PARTY

- 4.1. The supreme organ of the Party is the Party Congress, to be convened once every year.
- 4.2. The jurisdiction of the Party Congress includes:
 - approval of the Party Charter and adoption of the Party's program documents;
 - the election of the Party Chairman and deputy chairmen;
 - election of the Party Presidium;
 - election of the General Secretary of the Party;
 - election of the Executive Secretary of the Party;
 - approval of the report of the Party Chairman and Presidium;
 - election of the Party Auditing Commission;
 - approval of the report of the Party Auditing Commission.

The decision as to the liquidation or reorganization of the Party.

- 4.3. An extraordinary Party Congress may be convened by the Party Chairman, on the basis of a decision by the Party Presidium, or at the request of one-third of the Party's members.
- 4.4. In the period between Party Congresses, the Party's supreme organ is the Party Presidium, which is elected by the Party Congress.
- 4.5. A meeting of the Presidium is presided over by the Party Chairman or, in his absence, by the First Deputy Chairman.

THE PARTY PRESIDIUM:

within its jurisdiction, adopts program documents, appeals, and declarations and publicizes them among the population;

—approves the Party budget submitted by the Party Chairman;

—convenes the Congress;

—annuls the authority of a regional organization at the request of the Presidium.

4.6. The Party's activity is supervised by the Party Chairman.

4.7. The activity of the Party's leadership organs is audited by the Party Auditing Commission, which is elected by the Party Congress for a term of one year.

4.8. The Party consists of regional, rayon-level, and local organizations which are granted full autonomy in electing local administrative organs.

The Party's regional organs are accountable to the Party Presidium while rayon-level and local organs are accountable to the regional council.

V. THE PARTY'S FINANCIAL AND PUBLISHING ACTIVITIES

5.1. The Party founds its own newspaper and publishes scientific materials concerning the agrocomplex and the use of natural resources.

The Party's financial sources are:

—income from its own activities;

—contributions by individuals or legal persons;

—members' voluntary membership dues;

—funds allocated from the state budget.

VI. THE PRESS OF THE APRG

6.1. The Party's press organ is the newspaper MEURNE, whose periodicity is set by the Presidium.

VII. SYMBOLS OF THE APRG

7.1. The APRG has its own flag, coat-of-arms, hymn, and motto.

7.2. The flag of the APRG is a rectangle of white fabric with three blue stripes and a candle in front; the ratio of the flag's width to its length is 3:5. The APRG's coat-of-arms is a sun with a candle in the middle.

7.3. The APRG's motto is Shota Rustaveli's words, "Evil is vanquished by good, for the essence of good is enduring."

VIII. PROCEDURE FOR LIQUIDATING THE PARTY

8.1. The Party's reorganization, cessation of activities, or liquidation may take place at an Extraordinary Congress by procedures stipulated by republic legislation. The question of Party inheritance is decided by a Liquidation Commission elected by the Congress.

ECONOMIC AND SOCIAL AFFAIRS

Government To Support State Program on Economy Demonopolization

944E0649A Moscow KOMMERSANT-DAILY
in Russian 22 Mar 94 p 2

[Article by Radmir Kilmatov: "Oleg Soskovets Will Be Working on Competition Policy"]

[Text] The Council of Ministers has supported the State Committee for Antimonopoly Policy and the Support of New Economic Structures. A decision signed by the prime minister approving the State Program of Demonopolization of the Economy and the Development of Competition on Russia's Markets was put on the official distribution list yesterday.

The program had been formally approved back on 9 December last year. A significant part here had been played by the president of Russia, who in November had signed an edict strengthening the organizational base of the Antimonopoly Committee. And the cabinet, which has in fact complied with the edict, has once again demonstrated that it is not independent in the formation of its economic policy.

The main direction of the new program is the creation of a new antimonopoly legal base. Last week Leonid Bochin, chairman of the committee, declared that some of the provisions of the Competition and the Limitation of Activity on the Commodity Markets Act were today out of date. The first prescriptive enactment that will be presented by the Antimonopoly Committee for consideration by the government within the framework of the program will be the Natural Monopolies bill. Specialists are drawing up the legal base for a broadening of the committee's sphere of competence—regulation of the activity of the banks and control of the securities market could be transferred to its jurisdiction.

In addition, the committee is currently drawing up documents that are not formally within its jurisdiction: a bill on advertising (which regulates the sanctions on organizations conducting increased-risk transactions with the citizens' deposits) and on commodity exchanges. In Leonid Bochin's opinion, granting them privileges is impermissible since the exchanges have not justified the commitments they assumed and, "with the departure of the superprofits," have virtually disbanded of their own accord. It is becoming obvious that the committee, which affords no reason for it to be suspected of lobbying activity, will be used by the government as a lightning rod when projects evoking the harshest criticism are being pushed through.

Coordination of the actions of the ministries and departments in realization of this program has been entrusted to the Interdepartmental Commission for Competition Policy, which is headed by First Deputy Prime Minister Oleg Soskovets. The nature of the work of the first deputy prime minister is reason to suppose that the

range of projects proposed by the committee and accepted for execution will be extremely limited. The touchstone, according to the information of KOMMERSANT, will be discussion of the actions of the Russian oil companies, which, in Leonid Bochin's opinion, "have shared out the domestic market and eliminated competitive struggle." The committee is proposing that the government examine this question from the standpoint of legislation.

It is possible that the realization of the provisions of this program will breathe new life into the competition of Russia's manufacturers, which is fading before our eyes. But even a cursory analysis of the program leads to the conclusion concerning its exclusively abstract nature. Yet the deep roots of Russian monopolism require not so much narrow-departmental antitrust programs as a reform of the entire structure of the Russian economy and also the operational actions of the appropriate power departments. Without this, Russian business will not sense an improvement in its environment, and the competitive space, in whose formation it has an interest, will not be created.

[begin box]

Priorities of the State Program of Demonopolization of the Economy and the Development of Competition in 1994-1995

- Creation of a legal base of federal regulation of the subjects of natural and state monopoly
- Demonopolization of the trade, construction, and highway and transport complexes and communications, measures to break down associations into smaller units, and the regulation of mergers and the concentration of capital on a legislative basis
- State control of the progress of privatization to prevent the creation of new monopoly structures
- Removal of the legal, administrative, and financial barriers to commodities, services, and capital on the Russian market and the lowering of them for the new economic structures
- Regulation of direct budget appropriations and privileges and other methods of the creation of unequal conditions of management. [end box]

Deputy Finance Minister Reaches Understanding with Creditors

944E0697A Moscow MOSCOW NEWS in English
No 13, 1-7 Apr 94 pp 1,4

[Interview with Andrei Vavilov, first deputy minister of finance of the Russian Federation, by MOSCOW NEWS analyst Lyudmila Telen: "Russia Reaches Understanding with Creditors"]

[Text] The questions put by MOSCOW NEWS analyst Lyudmila Telen are answered by Andrei Vavilov, first

deputy minister of finance of the Russian Federation, who participated in the latest negotiations with the IMF and members of the Paris Club.

Not long ago most experts agreed with the sad forecast that with the resignation of Yegor Gaydar and Boris Fyodorov the hopes for a tough financial policy had collapsed for good. But quite unexpectedly the draft budget for 1994, submitted by the Finance Ministry and backed by the premier, refuted these forecasts. Moreover, after the visit of Michel Camdessus, the International Monetary Fund will most likely agree to provide Russia with the second part of the promised credits, and the Paris Club will refrain from tough sanctions.

[Telen] You have been in the post of deputy finance minister for three years now and these are not your first talks with the IMF. But this time they were particularly complicated. It was unclear till the last moment whether the IMF would agree to grant the second part of credits or would refrain from it. Isn't our partners' hesitation connected, above all, with the resignation of Gaydar and Fyodorov from the government?

[Vavilov] I think that the main reason for the IMF's cautiousness lies in something else. The thing is that until now we have only promised to achieve certain economic goals—a low inflation level, an acceptable budget deficit, and so on. But for a number of objective and subjective reasons not all the promises were fulfilled. Therefore, it became much more complicated to hold negotiations with the IMF representatives. Nevertheless, I am sure that the main credit—credit of confidence—we have not exhausted at all. This is evidenced by the fact that after the negotiations the IMF and the Paris Club have eased their positions.

[Telen] Isn't it because the Russian side managed to scare off the West with threats such as: If you don't give money, social unrest will break out in Russia and who knows what consequences that would hold for Europe.

[Vavilov] We tried to use other arguments—purely economic. It was important to convince our partners that the Russian government intends to maintain a tough financial policy. This year we have chosen a fundamentally new form of cooperation with the representatives of the IMF. Before, we presented to them the draft budget, then they evaluated how closely it corresponded to the aims of financial stabilization and only after that suggested that we make corrections which they deemed necessary. The program coordinated with the IMF, never before corresponded to the approved budget. Now consultations with the IMF proceeded simultaneously with the work on the draft budget, and it became possible to avoid differences.

[Telen] How did the negotiations with the Paris Club proceed?

[Vavilov] First of all, it must be pointed out that a number of meetings with its representatives were of an

unofficial (although decisive in many respects) character. Certain people expected a scandal to break out on our visit to Paris. It was believed that the stand of the Paris Club would prove to be irreconcilable: no deferments, the closure of credit lines, tougher conditions on payments for 1994. But there was no scandal. On the contrary, an understanding was reached to the effect that the agreements for this year on the payment conditions would be brought as close as possible to last year's agreements. This will make it possible to considerably simplify and speed up the procedure of coordination. The four-month deferment remains in force, and the credit lines won't be blocked. And there were no particularly heated arguments. True, from the start we told our creditors the following: "We can fulfil our commitments on payments to the Paris Club, but the amount of these payments will be determined after the end of negotiations with the IMF. But if the IMF does not approve our proposals, we will nevertheless start carrying out our program of financial stabilization."

[Telen] If the Paris Club had not cooperated, would this have dealt a blow to the Russian economy?

[Vavilov] First of all, as to our reputation, we would look like debtors incapable of fulfilling their commitments. To count after this on an influx of investments in our economy would be impossible.

[Telen] From what you said it follows that Russia is not only capable of carrying out the tough financial policy, but also convinced the West of the firmness of its intentions. Who in the present government, in the absence of Boris Fyodorov, can say "No" to the sectoral lobbyists?

[Vavilov] The government and, in the first place, the prime minister. For the time being the cabinet of ministers has not yielded to the pressure of the agrarians and the military. It may be recalled that the draft budget has limited the deficit to 62.4 trillion rubles, the expected inflation level by December is 7 percent.

[Telen] Did the Finance Ministry manage to reach an agreement with the Central Bank?

[Vavilov] I think it did. The time of political battles between the financiers has passed. Today the Central Bank insists on a rather tough policy.

[Telen] But, perhaps the IMF understates our parliament. As is known, the Duma is just going to discuss the budget. Are you sure that the credit and monetary policy, worked out by the Finance Ministry, won't be called into question?

[Vavilov] At any rate, many MPs have already expressed their opinion on the score. Chairman of the State Duma Ivan Rybkin, Chairman of the Budget Committee Mikhail Zadornov, Chairman of the Committee for Economic Reform Sergei Glazyev are convinced that the Duma won't agree to increase budget outlays. Buy Yegor Gaydar and Boris Fyodorov doubt it.

Abalkin on Measures for Economic Stabilization

944E0668A Moscow NEZAVISIMAYA GAZETA
in Russian 31 Mar 94 p 4

[Article by Academician Leonid Abalkin, director of the Institute of Economics of the Russian Academy of Sciences, under the rubric "Position": "Far-Fetched Dilemma: Solutions to Problems Are Found Outside of Its Framework"]

[Text]

The Trap

The search for ways out of the most profound crisis in which our country has found itself is proceeding within the framework of a certain set of views, widespread notions, and stereotypes. At present, the following dilemma which has been offered to our society (and grasped by it) is the foremost among them: Either we support production and employment, unavoidably slipping into the quagmire of destructive hyperinflation, or rein in inflation at the price of a further decline in production, the emergence of mass unemployment, and impoverishment of the population.

Interminable and unproductive debate has begun about which is better and which is worse. Even respectable politicians, bankers, scientists, and journalists have fallen into this trap. This topic has turned out to be particularly attractive for amateurs since it allows them to engage in discussing the most complex socioeconomic problems on a kind of equal footing.

Actually, the dilemma mentioned is far-fetched. In this instance, references to the fact that this situation is described in many "standard" macroeconomics textbooks do not help. They do not help because an analysis of the mutual linkage between production, investment, and employment, on one hand, and the rate of inflation, on the other hand, which is outlined in these textbooks always amounts to an utterly theoretical pattern or abstract model. The conclusions drawn in the process have value only within the framework of rigid restrictions: the existence of so-called perfect competition, the absence of monopolies of any kind, complete liberalization of prices, absolute noninterference by the state in economic processes.

This methodological technique might be quite useful for the purposes of instruction in the basics of macroeconomics; however, it is unacceptable for working out a real economic policy. Life is always more complex than bookish models, and if it were not so, life would be simply boring.

Poor knowledge of the economic reality of Russia, the leading trends and driving forces of scientific-technical progress, structural shifts in production, and sociocultural factors of economic growth are the primary reasons for many poorly thought-out decisions which have brought on the current crisis in the country. Attaching hopes to bookish wisdom gives rise to a claim of one's

recommendations being universal. Unfortunately, we have to admit that the level and complexity of Russian problems have turned out to be greater by an order of magnitude than the professional potential and competence of a majority of Western experts and advisers. No reasonable solution to our problems exists within the framework of the aforementioned dilemma. In both cases, the finale is the same—universal destruction and chaos. The way out is to break free from the trap and develop and carry out a well-conceived, realistic, and effective program of action.

It is important in principle to find and activate noninflationary factors for stimulating investment, production, and employment which would amount to the practical refutation of the dilemma in question and, at the same time, prove it to be far-fetched.

Here is one more introductory remark. Miracles do not happen in real life. As the saying goes, one cannot go to bed in an economy that is badly sick and wake up to a completely healthy economy in the morning. Anticrisis programs should always take into account the time factor, be guided by strategic thinking, and be designed to be at least two to three moves ahead rather than just one. Individual actions, for example, infusions of financing to eliminate "bottlenecks," may entail unfavorable consequences in the short term (growth of the budget deficit), but in the very near future may result in perceptibly curing the economy and replenishing the state treasury. On the contrary, instantaneous advantages produced, for example, by an increase in the tax rate will in a very short time result in an unavoidable fall in budget revenues and bring about a further deterioration of the financial situation.

Incidentally, statesmanlike wisdom is found in the ability to subordinate tactical decisions to strategic objectives, to steer the course of events instead of responding to them, and to engage in fire prevention rather than firefighting.

Inflation

In monetarist concepts, inflation is viewed as an isolated phenomenon, separate from its linkage to the structure of production, the existing system of economic mutual relations, and processes occurring at the microlevel. Growth of money supply in circulation is considered to be the only cause of inflation, and therefore containment of this supply is considered to be the only way to fight it. All means are good to this end: depreciation of the deposits of the population, late payment of wages, cutting budgetary appropriations for social and other programs, sky-high interest rates on credit, and so on.

All objections by opponents are rejected out of hand by referring to the same dilemma: Inflation cannot be stopped without the contraction of investment, cutbacks in production, mass unemployment, and reductions in the incomes of the population.

However, as has already been said, this is a far-fetched dilemma. Under our conditions, the nature and causes of inflation are much more complex, and so are the methods for reining it in. Along with monetary demand—an important factor, but not the only one and at present not even the dominant one—causes such as the growth of costs, the high level of monopolization in the economy, disruption of the existing system of economic relations with consumers being rigidly tied to their suppliers for considerations of technology, and the criminalization of economic relations are at work in this instance. Thus, some specialists estimate that no liberalization has actually occurred in the trade sector: The distribution of merchandise resources and price setting are controlled by the criminal structures more firmly than was the case in the time of the administrative-command system.

It is not consequences but rather causes that should be fought. Inflation will not be overcome, even by way of primitive price "freezes," without these causes being eliminated; it might merely be driven deeper (which is largely the cause for the nonpayments crisis that has broken out).

Many scenarios for solving the problems exist outside the framework of the monetarist dilemma. One such scenario was proposed in a joint report of the RAN [Russian Academy of Sciences] Division of Economics and the Reform Foundation. Its objectives were to normalize all aspects of the process of reproduction, set fixed prices for a limited assortment of raw material resources and railway tariffs for a period of time, perfect financial policy (including tax policy), and use a reconciliation procedure for regulating the ratio of prices to wages.

Such efforts should be made in several stages. According to calculations of the RAN Institute of National Economic Projections made with the use of relevant models, the rate of inflation can be reduced to 8-10 percent a month as early as the first stage, and at the second stage, as a result of taking the entire complex of measures, to 3-5 percent per month. The discrepancy in these numbers which has been the subject of much debate recently is not due to the subjective aspect of the approach but to the completeness and sequence of implementation of the program of inflation control measures.

To my mind, the fundamental difference (and advantage) of this program is found in the fact that it can be carried out without a fall in production and investment activity. In other words, the program is called upon to overcome the stereotype according to which a further recession is considered to be the unavoidable payment for reining in inflation.

As we revisit the issue of restricting demand and, primarily, reducing budget appropriations, we must stress that we have reached the critical threshold in this area. It will no longer suffice to say that we would have to cut

through living flesh. To cross this threshold would mean to experience all the horrors and consequences of an economic catastrophe.

Perhaps there is only one item in which reductions are possible and feasible; it is expenditures for maintaining the immensely swollen government apparatus. This is not at all about resource savings which may turn out to be not all that significant in and of themselves. Something else is more important. According to the well-known Parkinson's law, the growing apparatus generates work for itself, complicates the decisionmaking procedure, boosts red tape and bureaucratic practices many times over, and spawns corruption (especially under our conditions). Cutbacks and streamlining in the government apparatus produce a tremendous economic effect by developing initiative and enterprise in all elements of the economy.

There has been much talk about subsidies for agriculture, too, which "ruin the budget and merely spur on inflation." Indeed, it is well known that any reasonable idea may be perverted, and that in incapable hands all means are used to hinder rather than further the end.

A contract system is the most reasonable and noninflationary—which is particularly important—way to support the rural areas and saturate the consumer market. It ensures the delivery of resources to federal and regional stocks on the basis of compliance with price parities, guarantees the recovery of appropriations for the acquisition of agricultural machinery, fuel, and mineral fertilizer, provides stable "rules of the game," and builds the confidence of the rural population in the government.

It is easy to imagine what awaits us in the fall if such confidence is not restored. The peasants simply will not sell grain to the state. It will be impossible to put the squeeze on them by any hard or soft financing measures: On a self-sufficient farm, the peasant will feed himself with meat and milk, potatoes and vegetables. Meanwhile, there is no leeway associated with import purchases of grain and foodstuffs. A situation greatly reminiscent of the year 1927 may emerge.

Investment

Of course, we cannot count on a sharp increase in investment, given the tremendous decline in the gross domestic product (by about 40 percent of the precrisis level). Nonetheless, it is quite realistic to enliven investment activities very shortly and augment the influx of capital investment into the national economy. This may be done on a noninflationary basis.

First of all, we should add selective (customized) support for priority spheres and production facilities to the quite stringent financial and credit policy. This is about concentrating the limited investment resources on pursuits in which they are capable of relieving social tensions and, most importantly, producing significant results quickly. The so-called multiplier effect works in this instance: Relatively small resources produce results that

exceed the initial investment many times over. For example, resources are concentrated on housing construction (out of the funds of the population and enterprises, the federal and local budgets, and easy credit). This immediately boosts the demand for cement and bricks, products of wood processing, the output of glass and sheet iron. Their production expands (after all, the capacity is idle!), and the demand for the products of companion industries appears.

To select appropriate priorities and concentrate resources for them—this is what the real state regulation of the economy and the conduct of an active structural policy are all about. This maneuver would be implemented within the framework of existing financial resources, without resorting to the additional emission of currency or increasing the burden on the budget.

Perhaps the largest, stable, and, once again, noninflationary source of investment is associated with privatization (provided that we forget about its voucher mode as we would a nightmare). The Russian state, the components of the Federation, and municipal structures have quite expensive property. They would resolve to relinquish some of their property to others—at its real price. As a result of the effected operation, they would have the same resources, which we would call "capital," but in monetary rather than tangible form. They would be able to allocate these resources at their discretion for the construction of health-maintenance centers or maternity wards, schools or university laboratories, housing construction, and telephone installation in the settlement.

Once again, it is important to stress that investment funds would be obtained on a noninflationary basis; they would not require emission or budget subsidies. Only a reasonable redistribution of resources would occur which would ensure the mutual reconciliation of the processes of privatization, structural changes, and a pickup in investment activities.

The solution appears to be surprisingly simple and immediately evident—provided of course that we give up the extremely ideological desire to deprive the state of its economic might and influence (at any price). In this instance, it is very important to avoid the transient urge to blow away and send down the drain capital assets created by the labors of several generations.

Creating conditions that make it possible to shift the interests of both the economic agents and the population from current expenditures to long-term investments also is one of key issues in creating a favorable investment climate in our country. In particular, this presupposes the protection of amortization allowances against possible depreciation, tax exemption for profits earmarked for investment, and the creation of specialized investment accounts and banks.

It is quite important to divert a proportion of the monetary income of the population from current spending to savings, and not in the form of the increment of cash balances but in forms that make it possible to use savings for

investment purposes. In this matter, restoration of confidence in the banking system is a key issue. This is not easy to achieve following the serious mistakes that were allowed to occur. However, it is extremely naive to count on success without the restoration of such confidence.

Special-purpose savings for the construction of housing, certainly with reliable state guarantees, could be very promising. The need for housing is exceptionally high; meanwhile, the commissioning of residential buildings (in millions of square meters) dropped from 62.6 in 1985 and 61.7 in 1990 to 41.8 in 1993 (in 1992 it was 41.5 million square meters).

Diverting the demand to housing could reduce pressure on the consumer market, reduce shortages in certain commodity groups, and thus become an important inflation-control factor.

In a word, a number of serious proposals exist which make it possible, contrary to popular stereotypes, to combine inflation-control measures with support for production and stimuli for investment activities.

Nonpayments

The course of economic policy which was monetarist in nature and was lopsidedly geared toward restricting monetary demand in every way possible brought about a profound distortion of the entire system of financial relations. The liberalization of prices accompanied by the actual freezing of the working capital of enterprises deprived the latter of an opportunity to make timely payments for products purchased. No improvement in the system of settlements, which is important in its own right, can improve the situation.

Therefore, profound and completely antimarket disproportions have developed in the economy both between the ratios of prices and the working capital of enterprises, and between capital benefits and the current stream of material and financial resources. The following data testify to this eloquently. The fixed assets of all sectors of the national economy and all forms of ownership came, after their reappraisal as of 1 July 1992, to 41.3 trillion rubles [R]. The gross domestic product (in current prices) came to R162.3 trillion in 1993. The national wealth which has been accumulated over decades ended up coming to one-quarter of the yearly product!

However, this is not yet all. Prices for goods and services keep growing, whereas the price of fixed capital is strictly fixed and held under the strictest administrative control. Not one enterprise (whatever its form of ownership) is entitled to reappraise the cost of its fixed assets. This is regarded as an understatement of profits and tax evasion. The movement of goods and services, on one hand, and the movement of fixed capital, on the other hand, ended up severed. Enterprises are deprived of the opportunity to maintain even direct reproduction. These are the in-depth roots of the nonpayments crisis!

To a considerable degree, nonpayments were also provoked by the direct actions of the government, more precisely, the Ministry of Finance. As of the end of 1993, the volume of past-due accounts receivable came to R18

trillion, of which the debt of the budget to the agrarian sector, enterprises of the defense complex, and establishments financed from the budget accounted for R7.8 trillion. At times, altogether paradoxical situations emerge: The Ministry of Finance does not pay for the products of the Southern Urals Gold Combine. Could it be that the ministry does not need them, or that there is no demand for them?

Once again, we have to say that it is impossible to rectify the situation overnight. Painstaking efforts will be needed to restore the distorted financial system, eliminate existing disproportions, and fine-tune an effective settlement mechanism.

Employment

Finally, about the last point of the dilemma in question—the allegedly inevitable growth of unemployment as the price for reining in inflation. In this matter, the already mentioned arguments prevail without a serious generalization of world experience and an analysis of Russian reality. "Experts" usually refer to the Phillips curve.

However, before moving on directly to the problems of employment, we would like to dwell on related and equally acute issues. An analysis by scientists from the RAN Institute of Economics indicates that the purely numerical data on the growth of unemployment conceal more profound and alarming trends. At issue are loss of occupational prestige, the mass disqualification of labor, and an abrupt decline in incentives to master knowledge and skills. The impact of such tendencies over any length of time poses the unavoidable threat of the destruction of not only the economic but also the labor potential of the country. Meanwhile, it is precisely the labor potential of the country that should, in the long run, become a guarantee of the real success of economic reform—an improvement in the standard and quality of living of Russian citizens.

At present, discourse to the effect that if people want to work and know how, unemployment is not a threat to them sounds hypocritical. Appeals to ethics in the course of discussing the problems of unemployment are generally quite dubious. Under our conditions, they are just politically irresponsible. After all, presently the most gifted and talented workers, engineers, designers, and scientists, those who are just priceless, who not only know how but want to work, are left without jobs as a result of the cataclysmic crisis and the stoppage of enterprises. An economic model which is not in a position to use the richest labor potential, in a way the "gold reserve" of the nation, is flawed in its very foundation. It is a shame for the country and for ourselves.

Let us move on to employment issues proper. The already described measures aimed at stimulating production and investment activities are capable of substantially boosting demand for labor, and then without using inflationary factors. We should add to this the potential of cooperatives and various forms of self-employment of the population, including the establishment of small enterprises at which the owner and the employee are

frequently one and the same (a tailor, car repairman, manufacturer of craft products, and so on).

As a rule, the creation of new jobs in this sphere does not require significant investment of any consequence. At the same time, an opportunity will appear to add considerable amounts of goods and services on the consumer market which is, in terms of its character, an inflation-controlling step.

What is needed from the government and municipal organs? It is not additional money and subsidies but merely cooperation—the simplification of procedures for opening such enterprises, tax exemptions for them (if the newly formed cells of self-employment did not emerge, the unemployed would be paying no taxes!), the provision of vacant premises for them, and so on.

The experience of organizing so-called "public works" which are well known in the practice of the world and have proven themselves in the implementation of anticrisis programs needs to be analyzed in particular.

In summation, we would like to discuss opportunities for supporting low-income strata of the population without increasing the budget deficit or amplifying the inflationary spiral.

As is known, in recent years the population has been markedly stratified in terms of income level. The incomes of the most affluent 10 percent exceeded the incomes of the least affluent 10 percent by a factor of 4.5 in 1991. In 1992 this ratio came to as much 7.5-8, and in 1993, as much as 11. When this ratio exceeds 10:1, a society enters a stage conducive to the development of acute social conflicts.

So, if a progressive tax on the incomes of the most affluent is established at the rate of, say, 10 percent of their income (which would hardly be too burdensome), this will make it possible to increase the incomes of the least affluent by a factor of two! This will not require the printing of a single additional ruble. How to perform such an operation is an issue of political will and professional technique.

At the same time, creating conditions for the people to be able to work and make money is the main way to fight poverty rather than increasing the number of wards of the state. This can only be done if socioeconomic policy is aimed at resuscitating production, at shaping a new type of economic behavior with the plank of self-support for individuals and families.

Therefore, the dilemma in question does not stand up to criticism on any of its elements. The time has come to learn the lessons of the bitter experience of recent years, to change the strategic planks of economic policy, and to reject the stereotypes and dogmas that form its foundation.

Status of Mutual Debt, Settlements in Industrial Sphere for 1993 Outlined

944E0660A Moscow ROSSIYSKIYE VESTI in Russian
31 Mar 94 p 5

[Article by Dmitriy Belyayev, chief of the production analysis and forecasting branch of the Russian Federation Government's Economic Situation Center: "On Clearing Accounts and Nonpayments in Industry"]

[Text] The system crisis, which our economy is undergoing, is more and more acquiring the features of a financial crisis, one of whose characteristic manifestations is the overdue debt (nonpayments) of major economic agents.

The braking of the economic ties that have taken shape, the obsolete technical and technological base, the exhaustion of natural resources, and other circumstances—very important as they are—are now retreating to second place after mutual nonpayments based on their impact on the decline in industrial production, business activity, hidden and obvious unemployment, delays in paying wages, and, as a consequence, the increase of social tension in society.

The mutual indebtedness of economic agents in a market economy is a normal phenomenon caused by the expansion of credit and monetary relationships and one that insures the uninterrupted operation of the economic mechanism; however, the failure of economic agents to fulfill the financial obligations assumed by them automatically leads to their bankruptcy.

Under our conditions with the absence of an effective bankruptcy mechanism, the overdue indebtedness of the main economic agents has acquired a mass nature. Whereas the total creditor indebtedness of industrial, construction, transport, and agricultural enterprises and organizations was 48 trillion rubles at the end of 1993, overdue liabilities were

17 trillion rubles, that is, more than 35 percent. Correspondingly, the incurred debt on 1 January 1994 was equal to 47 trillion rubles, including an overdue indebtedness of 18 trillion rubles, i.e., more than 38 percent.

Of the total amount of overdue creditor and incurred liabilities, 77 and 79 percent, respectively, fall to industry's share.

Of all the incurred and creditor indebtedness items, "Indebtedness of Buyers" and "Indebtedness to Suppliers," which compose approximately 70 percent of the incurred and creditor indebtedness, respectively, have paramount importance for industrial production.

Late payment for products received leads not only to a worsening of the enterprises' financial condition but also disrupts the production process and, in a number of cases, leads to its stoppage. Moreover, these types of obligations are transmitted from one enterprise to another over the existing cooperation ties, causing a chain reaction of nonpayments. The state itself is aggravating the situation that has taken shape by delaying payments to enterprises for the products produced in accordance with its orders.

The overdue indebtedness of industrial enterprises to their suppliers is less than the indebtedness of buyers to these enterprises by more than 3 trillion rubles.

In other words, industry is emerging to a certain degree as a creditor for the other branches of the national economy and the budget. Almost all industrial branches, except for non-ferrous metallurgy and the flour, cereal and animal feed industries, have a positive balance in their mutual debts but the nonpayments of electrical energy buyers exceed this branch's debt to suppliers by more than twofold.

The branch structure of overdue indebtedness in industry is described by the following data (without considering debts for deliveries within the framework of intergovernmental agreements).

	Proportion of the branch in the industrial production volume, %	Proportion of the branch in overdue liabilities to buyers on 1 January 1994, %	Proportion of the branch in overdue indebtedness to suppliers on 1 January 1994, %	Ratio of overdue buyer indebtedness to overdue indebtedness to suppliers on 1 January 1994
Industry	100	100	100	1.35
Power industry	9.19	10.9	10.4	2.15
Fuel industry	17.5	28.1	27.0	1.47
Ferrous metallurgy	9.0	12.2	10.15	1.76
Non-ferrous metallurgy	8.1	4.4	5.8	0.74
Chemical and petrochemical industry	7.5	8.7	10.9	1.07
Machine building and metal working	20.3	18.3	15.2	1.25
Wood, wood-working, wood-pulp, and paper industry	3.9	3.2	3.6	1.05
Construction materials industry	3.3	2.0	2.6	1.11
Light industry	5.2	2.5	2.1	1.6
Food industry	12.4	5.8	6.36	1.1
Flour, cereals and animal feed industry	2.1	2.1	3.8	0.8

More than 28 percent of the overdue indebtedness of buyers falls to the fuel industry. Correspondingly, its debts to suppliers form the largest percentage in the debts of all industry—27 percent. In this regard, the percentage of the branch's overdue indebtedness in the overall indebtedness of industry significantly exceeds its percentage in the total production volume, that is, the burden of mutual nonpayments is felt most sharply in the fuel industry.

The amount of overdue debt—both that of buyers and that to suppliers—in industry during 1993 fell somewhat considering inflation. Thus, the total overdue debt to suppliers increased eightfold and prices grew 9-10-fold during this period.

However, the nonpayment burden did not become lighter because of this since the decline in production continued and, correspondingly, the potential capabilities of the enterprises to fulfill their financial obligations narrowed.

An analysis of the dynamics of industrial production volume and of the overdue indebtedness growth during 1993 shows that the intensiveness (burden) of mutual nonpayments in industrial enterprises grew.

Thus, according to the center's calculations, the ratio of quarterly increases in overdue liabilities to production volume increased more than twofold during the year.

	Quarterly increases in overdue liabilities of buyers as a percentage of quarterly industrial production volumes in 1993				Quarterly increases in overdue indebtedness to suppliers as a percentage of quarterly industrial production volume in 1993			
	First quarter	Second quarter	Third quarter	Fourth quarter	First quarter	Second quarter	Third quarter	Fourth quarter
Industry	4.8	9	8.8	11.9	4	5	8.1	8.8
Power industry	5	3	11	19	3	1	6	8
Fuel industry	6	19	16	19	8	111	15	11
Ferrous metallurgy	4	10	16	19	5	3	12	9
Non-ferrous metallurgy	5	5	6	3	4	5	3	10
Chemical and petrochemical industry	10	15	10	19	10	5	15	20
Machine building and metal working	5	8	5	9	2	3	6	7
Wood, woodworking, wood-pulp, and paper industry	0.1	6	12	7	3	4	9	10
Construction materials industry	6	4	7	7	6	2	5	8
Light industry	3	2	2	5	0.2	2	2	3
Food industry	4	6	1	3	3	4	2	3
Flour, cereals and animal feed industry	7	3	11	8	8	7	15	11

It is characteristic that the ratio of the quarterly increases in the overdue indebtedness to industrial production volumes grew in almost all branches of industry and that the largest growth was noted in the wood, woodworking, wood-pulp, and paper industry; ferrous metallurgy; the power industry; and the fuel industry.

It is in these branches and also in the chemical and petrochemical industry that the "burden" of mutual indebtedness is the highest.

The worsening of the enterprises' financial condition owing to the increase in the burden of mutual nonpayments is also confirmed by an analysis of the enterprises' ability to pay.

According to the results of the first half of the year, the monetary assets, which enterprises had available, exceeded overdue indebtedness to the suppliers 1.24-fold but these assets covered the mentioned indebtedness by only 57.4 percent by the end of the year.

Whereas within the structure of all industry, the power industry, fuel industry, machine building and metal working, and the glass, china and pottery industry had an excess of monetary assets over the overdue indebtedness to suppliers at the end of the first half of 1993, the debts significantly exceeded all existing enterprise financial assets by the end of last year in all branches of industry. This is described by the following data:

	Monetary assets as a percentage of overdue indebtedness to suppliers			Profitability of production, %
	1 January 1993	1 July 1993	1 January 1994	
Industry	79.9	124.6	57.4	37.2
Power industry	154.3	119.9	34.1	24.7
Fuel industry	132.7	225.4	83.3	25.6
Ferrous metallurgy	31.1	72.1	21.2	64.1
Non-ferrous metallurgy	57.7	71.0	82.9	47.2
Chemical and petrochemical	38.7	54.3	17.1	44.7
Machine building and metal working	69.5	119.3	52.1	48.4
Wood, woodworking, wood-pulp and paper industry	57.2	70.5	32.1	28.4
Construction materials industry	33.0	55.3	20.8	34.0
Light industry	68.7	86.5	48.3	38.6
Food industry	281.1	98.9	62.7	26.2
Flour, cereals and animal feed industry	69.3	29.5	19.1	11.3

* Profit related to the cost of commodity products, during the first nine months of 1993.

The enterprises of ferrous metallurgy, the chemical and petrochemical industry, the construction materials industry, and the flour, cereal and animal fodder industry are in a critical condition based on their ability to pay.

It is typical that the low ability of industrial enterprises to pay is frequently accompanied by a high or super-high production profitability in a number of branches.

Thus, production profitability in ferrous metallurgy was 64 percent and 45-48 percent in the chemical and petrochemical industry, non-ferrous metallurgy, and machine building and metal working.

The liberalization of prices led to substantial pressure on the effective demand for products of a production and technical nature and consumer goods. Enterprises tried to compensate for the reduction in the sales volume of products and the amounts of earned monetary assets, which followed this, not by reducing costs and increasing the quality of products but by an additional increase in prices. As a result, the market is narrowing even more, the demand for products is decreasing, their sales and receipts are again falling, and the way out is seen to be a new price increase.

The high degree of monopolization in our domestic industry is exerting a definite influence on the level of prices.

The Russian Federation's Government has outlined a series of measures to solve the nonpayments problem, in particular, repaying federal budget debts for 1993, legalizing overdue indebtedness by promissory notes, checking on the condition of inefficient production facilities, increasing the responsibility of banks for timely settlement, launching a mechanism for sanctions and the carrying out of bankruptcies, and other measures.

Only the integrated use of these measures and the very active participation of regional management structures, commercial banks and enterprises themselves based on agreements with subcontractors and the consumers of their products will permit the problem of mutual nonpayments to be solved.

The implementation of the listed measures will not suffer delays: During January 1994 alone, the total overdue creditor indebtedness in the national economy increased another 3 trillion rubles. The overdue incurred debt increased just as much.

Solving the nonpayments problem will contribute to ending the crisis phase and stopping the production decline.

At the same time, one cannot permit the elimination of enterprises producing vitally necessary products, whose closing would inflict harm on the country's defense and economic security. However, the state must also consider the interests of the creditors when solving this question and, possibly, itself assuming the repayment of these enterprises' debts.

Central Bank against Creation of Federal Reserve System

944E0680A Moscow KOMMERSANT in Russian
30 Mar 94 p 3

[Article by Marat Salimov, under the rubric "Reforming the Banking System": "Bankers and Entrepreneurs Have Agreed To Maintain the Status Quo"]

[Text] The Central Bank of Russia is opposing significant changes in the established banking system. This was shown by the meeting of representatives of commercial banks, trading companies, and the Central Bank of Russia, held yesterday at the Russian Chamber of Trade and Industry and devoted to discussion of proposed banking legislation. At this meeting the Central Bank

came out against the formation of a federal reserve system. It is notable that the representatives of the commercial banks did not insist on any substantial change in banking law either.

Yesterday's meeting of representative of state and commercial structures was organized to discuss legislative proposals to amend and supplement the Law "On the Central Bank of the RSFSR (Bank of Russia)" and the Law "On Banks and Banking in the RSFSR," which are planned to be put on the agenda in parliament in the near future. Konstantin Lubenchenko, head of the legal department of the Central Bank, spoke at the meeting. He stated that the proposed bill on the Central Bank is an attempt to increase the degree of the bank's independence of the government, which will make it possible to implement financial and emissions policy more effectively. An innovation in the bill is the point on forming a consulting council at the Central Bank, consisting of representatives of leading banks and banking associations, national economic specialists, specialists from financial bodies, and scholars. In Lubenchenko's opinion, the activities of this council will enable the Central Bank management to reach decisions efficiently on the most important matters touching the interests of all agents of the financial system without exception.

In all, Lubenchenko's talk showed that the Central Bank has no interest at all in significant change in the Russian banking system. It is noteworthy that Lubenchenko touched especially on the issue of the prospects of establishing a federal reserve system in Russia on the model of the one that exists in the United States. In the opinion of the Central Bank representative, which from all appearances coincides with the opinion of the bank management, "At the present time there is no need to copy the American plan, nor do conditions for it exist." Furthermore, he said, in the States the Federal Reserve System is in fact being subjected to harsh criticism and is blamed for the collapse of national monetary policy. A similar opinion was expressed on this matter on the same day at a Central Bank briefing (see the article on this same page).

It is noteworthy that neither this position nor the proposed bills aroused any particular condemnation from those present. It is true that representatives of the commercial banks stated that it would be wise for the bills to stipulate specifically what constitutes banking activity as compared to other types of entrepreneurial activity. At present, in their opinion, these specifics are not being taken into account, and the authorities have an opportunity to receive unobstructed information which bank clients do not have an interest in divulging. Furthermore, it was suggested that the legal basis of registration be put in more concrete terms and that the sphere of activity of bank associations and councils be defined more specifically. But not one representative of the commercial banks spoke in favor of a fundamental reform of the banking system, for example for conversion of their own bank into a federal reserve bank.

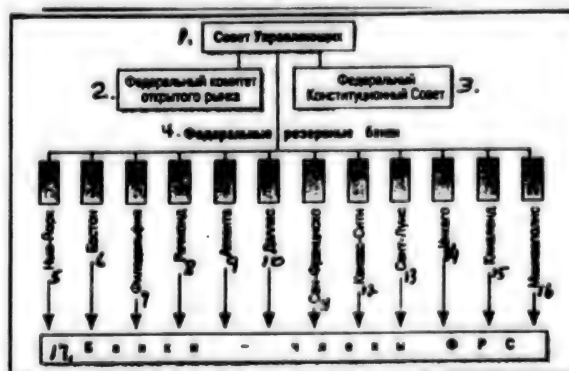
Primary Tasks of the Bank of Russia (From the Draft Law)

- Ensuring the stability of the Russian Federation monetary unit and increasing its purchasing power;
- Organizing and supporting the uninterrupted functioning of the payment mechanism in the national economy;
- Development of the Russian Federation's credit and banking system by all possible means;
- Conducting currency regulation and monitoring in conformity with Russian Federation law.

Documents Necessary for Foreign Legal Persons To Receive a Banking License (From the Draft Law):

- a decision of the foreign founder on its participation in founding a bank in Russia or opening a branch;
- a document that confirms the status of the founder and its published balances for the last 3 years;
- the written consent of the monitoring agency of the founder's country of residence to its participation in forming a bank in Russia or opening a branch.

Organizational Structure of the U.S. Federal Reserve System



Key:—1. Management Council 2. Federal Open Market Committee 3. Federal Constitutional Council 4. Federal Reserve Banks 5. New York 6. Boston 7. Philadelphia 8. Philadelphia 9. Atlanta 10. Dallas 11. San Francisco 12. Kansas City 13. St. Louis 14. Chicago 15. Cleveland 16. Minneapolis 17. Banks that are members of the Federal Reserve System

'Chara-Holding' Banking Corporation President on Bank's Activity

944E0657A Moscow IZVESTIYA in Russian
1 Apr 94 p 6

[Interview with Vladimir Igorevich Rachuk, president of the Chara-Holding Corporation, conducted by unnamed interviewer; place and date not given]

[Text] It would seem that there is no longer any financial niche for the appearance of a new bank. But even so almost every day we hear of the birth of new financial centers. But some die almost before their advertisements appear, while others survive and put pressure on competitors. Chara is evidence of that. People prefer to endure

the wait in order to put their money in this particular bank. And this is the third year like that. What is going on? Is it merely high interest rates on deposits?

The president of the Chara-Holding Corporation, Vladimir Rachuk, answers these and other questions.

[Interviewer] So are you people here at Chara altruists? You are not interested in profits, you give depositors more than other banks. What is your interest in doing that?

[Rachuk] High interest rates on personal deposits is Chara's fundamental position. Despite the fact that interest payments eat up a large part of profits. But generally we are against excessive profits. And not only because they are disadvantageous because of high taxes. To paraphrase Suvorov, let me say: profit is nothing, but circulation is fine.

From the start the idea of the bank was built on that: reaching the maximum turnover with minimum profitability, only that which is vitally necessary to the bank. On the one hand, this allows us to develop quickly, and on the other, to attract depositors with truly advantageous conditions for placing their savings.

But there is really no other way today; what sense is there in cutting off the branch you are sitting on. Besides, a large part of the capital used to pay interest is immediately returned to us in the form of new deposits. So it is simply beneficial for the bank to pamper the client and allow him to get rich.

However, promising high interest rates by no means solves everything. Intelligent depositors try to reach the golden medium, excellent profits and the absolute reliability of capital placement. Orienting ourselves precisely to this category, from the very start we took it as our rule to "Do it well or don't do it at all."

[Interviewer] But in order to create a system which will work well from the start, serious preliminary preparations are needed. Organizational, financial, cadre, and psychological preparations.

[Rachuk] Yes, although we started later than others, we were able to rely on the experience of the first wave of banks, became familiar with practices in organizing banking abroad, and did serious marketing work.

This allowed us to define our "niche" more precisely. Inasmuch as there was still a very strong prejudice against banks created by private persons, the goal was set of creating a bank which enjoyed special trust, even if at first it was only among a small group of persons, you know, a "bank for our own people," in which credit policy could possibly be conducted without special risk.

Those who knew us were the first to come to us. And since before then we had already actively and quite successfully done business in the spheres of hotel services and real estate and a number of other spheres,

many people knew about us. Add personal acquaintances and the acquaintances of our acquaintances.

We were initially located in a small apartment and the director's office was in a tiny kitchen. The entire bank, so to speak, operated as an insurance company before receiving a license. But that did not frighten people away; on the contrary it somehow even made us closer to our clients. We dealt with them not across an official counter, but rather seated at a desk.

Many film and theater figures, journalists, and famous doctors were the first to come to us. The point is that my father, the professor of film studies, Igor Rachuk, gave half his life to cinematography, and I hope that it was precisely the kind memory of him that brought us hundreds of people whose names would do honor to any bank where they were customers.

Today the bank has grown and become transformed in many respects. But we will always be grateful to our "veterans," who essentially created the bank along with us. And I hope later clients do not condemn us for showing special attention to the bank's pioneers.

[Interviewer] You talk as if Chara already had decades of tranquil activity with no conflict behind it. But you are only 2 years old and most likely everything was not smooth.

[Rachuk] Do you remember the Pavlov banknote exchange? That was when we first passed the test for our depositors and within 24 hours before the deadline were already beginning to issue them money in the form of the new notes.

The second test befell us along with the entire country in the days of the October events. Political instability is deadly for banking and institutions like it. It creates artificially excited demands for cash deposits and provokes unreturned credits. This time everything was moving in exactly that direction. The simplest and most painless thing would have been to take advantage of the formal cause and suspend operations, since as we were located in the very heart of Moscow, on Tver, we naturally fell under the rules of the state of emergency.

But we did not resort to that. A plan for emergency conditions conceived in advance was promptly put into effect. All financial operations were suspended, with the exception of service to private persons. So that, God forbid, work did not stop for a minute because of a shortage of cash, which would have immediately created panic. In advance we had prepared a reserve of liquid securities to be put into circulation.

The psychological preparation of personnel helped a great deal. Employees were calm and confident and worked quickly and carefully, like stewardesses in a plane which has gone into a tailspin. And this is hard to believe, but the situation changed diametrically; people who just a few hours earlier were only thinking of how to

pull out their money, instead deposited their last money, convinced that it would be safer here than at home.

I was especially pleased that this happened in my absence. I was on vacation and I could influence events only by telephone.

[Interviewer] Let us assume that at that time you managed to master the situation and get rid of tension by showing a high class of professionalism. Such banking techniques are familiar from the well-known novel by Arthur Haley, "The Moneychangers." But what if your plan had not worked and a large majority of your depositors had all the same demanded their money? Would that have been a disaster for you?

[Rachuk] On the day that Roosevelt died, in New York the huge simultaneous load on the city's phone system broke it down: too many people wanted to share the sad news with one another. Don't believe a banker who maintains that he has never had a nightmare about this situation. Every person must work and watch for that. Especially in our time and in our country.

Nonetheless, I do not doubt that any bank which plays an honest game will fulfill its obligations. It is a different matter altogether that many, especially beginning bankers, do so at the price of their own ruin.

Each bank decides how to insure itself against this occurrence in its own way. We would like to believe we have insured ourselves with special flexibility. The Chara-Holding Corporation envisions corporate responsibility for the promissory notes of each of the companies which are members of it. First of all this applies to the Chara Bank, which is the core of the holding company. Our potential allows us to use the reserve system as a basis for financial resources, in amounts which more than cover all obligations to depositors.

There are purely tactical techniques. For example, the problem of a harmonious combination of long-term, medium-term, and short-term credits must constantly be a focus of attention. The point is that from the standpoint of elementary logic, in order to ensure that loan capital is returned, it must always be "at hand," hence, long-term investments must be avoided. That is on the one hand. On the other, to tie the bank to short-term credits means to deliberately renounce the bank's development and realization of large-scale constructive programs which the state and society have the right to count on. The art of banking, it seems to me, certainly consists of the ability to find and maintain this fragile point of balance.

I assure you with all responsibility that the Chara Bank is ready at any time to meet all of its responsibilities. Although it will naturally have to sacrifice something.

[Interviewer] Do you mean to say that you have more tangible securities than money?

[Rachuk] Exactly. Above all real estate. In the center of Moscow alone we own five large installations. Selling

them in an emergency means losing a great deal, of course. To be frank, it would be devilishly painful to realize that what we have begun will be completed by others. I hope it will not reach that point.

I want to believe that we have earned our depositors' trust. And if more difficult moments come, they will help us survive and through ill-considered actions will not begin destroying the mechanism that works in depositors' own interests.

[Interviewer] Vladimir Igorevich, all this is remarkable. But money must be put to work. Only then can it reproduce itself. There are legends surrounding Chara. People even say that the bank subsidizes the narcotics trade. Otherwise, where would such high interest rates on deposits come from?

[Rachuk] Well, that is of course complete nonsense. We respect ourselves and our clients too much to get involved in questionable operations. Our money is put to work in real estate, since, as I already said, even before the bank's creation we had accumulated experience in realtor activity. The quick rate of turnover of capital invested in this business is attractive. And its efficiency. The growth rate and the money, and in dollars too, for major real estate are such that our monthly obligations on loan resources invested in it are covered with interest.

The second general direction is securities. Everyone who is close to financial spheres recognizes the need to develop a secondary securities market. Unfortunately, this is somewhat blocked by legislation restricting the circulation of securities made out to the bearer. Despite this, we decided to be actively involved in this activity. Properly, well-thought-out work with securities during periods of sudden changes in the exchange rate of the dollar allows one to obtain profits of up to 1,500-2,000 (!) percent annually. This is no longer the fruit of theoretical research but practice. The fairly complicated financial mechanisms which we created and in which the obligations of the Ministry of Finance, bank stock, promissory notes, "AVVA" stock, and other securities are linked in a single chain make it possible to obtain such high profits.

Also helpful is the fact that the Chara-Holding Corporation, the most important but only 1 of the 10 components of the Chara Bank, is a multispecialization firm and the primary enterprise organizes work to distribute financial capital with the greatest efficiency during any particular period of time. In other words, this helps us be in constant readiness to enter any civilized market with adequate financial resources.

[Interviewer] Real estate, that is understandable. But securities; today they are valuable and tomorrow not. All this is somehow risky. We are accustomed to expecting stability, reliability, and permanence from a bank.

[Rachuk] I understand your remark. So recently we have vigorously "invested" in enterprises such as GAZ [Gas] and the St. Petersburg optical-mechanical association

LOMO. And while we began with buy-and-sell operations, now we are attempting to get hold of a sufficient block of stock to raise work efficiency at these large enterprises of Russia.

I am tired of hearing about the losses produced at high-tech, high-precision production facilities. I do not doubt that a boss who is vitally interested in the result will be able to organize things. There were and are wonderful specialists and engineers in Russia. Especially in St. Petersburg with its great traditions. But people must be paid decently. And to do this a system of material incentive must be created, a system like those which operate in developed countries. Like Japan. Yes, as has been repeated to us before, this is a sweatshop system. But personally I am confident and ready to state to the entire world that the greatest human invention is not the wheel, but the idea of exploitation. A person must exploit himself and make others work efficiently. That is precisely what moves civilization. Without exploitation even wheels would not have appeared.

Of course, investment capital will be needed. For example, 70 percent of the machine tools at LOMO must be replaced. Major customers will help accomplish this. They have already been found in the United States. I think that people interested in the large-scale program for night vision devices will also be found.

[Interviewer] What do you think of the Central Bank's recent decree on increasing bank charter capital to 2 billion rubles?

[Rachuk] We are already becoming accustomed to surprises which the state throws at us all of a sudden, in this case the state represented by the Central Bank. And we are learning to protect ourselves and our depositors from all types of surprises.

Speaking specifically of this Central Bank decision, it seems justified for Moscow. The rank of the capital banks commits them to a particular status. There is potential for this: According to certain information, up to 80 percent of the financial operations are carried out in our city.

As for the periphery and cities which do not lie at the crossroads of financial arteries, such a requirement is nonsense.

[Interviewer] Vladimir Igorevich! It seems that you and I have discussed everything except one problem: Is a depositor something abstract to you or really a living person?

[Rachuk] To me a depositor is an absolutely real individual: a person who has entrusted his money to us. Perhaps his last money, his only hope. I have also learned what drinking tea without sugar means. For a bank, when the number of depositors runs into the tens of thousands, unfortunately, more and more they become "all the same." Barriers of organizational-structural links have grown up between the "original

clients" and our "ordinary clients." We have become separated. And it is very difficult to survive such a thing emotionally. This is by no means nostalgia for the office in the kitchen where we could talk confidentially with our depositors; for the bank as we envision it, the feedback mechanism is a vitally important condition. We and our clients are a single unit and we have a single breathing rhythm.

But can a banking institution conceived of as a "bank for its own people" remain like that at all in the new age and weight category? It seems it can, if you seek the solution of this problem on a different plane.

In our opinion, the Board of Trustees which we are creating under the Board of Directors of the Chara-Holding Corporation will help the bank keep its finger on the pulse of the entire mass of depositors. Depositors' interests will be represented there by people whose competent opinion, I am sure, will help better organize work with clients and raise the quality of service by bringing it closer to the requirements of European standards.

Determining the priority directions of charitable and sponsorship activity will be an important task of the Board of Trustees. Our business is to earn money, but how to "put it to work" for the good of our great but tormented country is a problem that must be resolved all together with God's help!

[Interviewer] In conclusion, what do you have to say about the raid by the tax police on the Chara Bank, which was made public in the mass information media in recent days?

[Rachuk] As for the raid on the bank's premises under the guise of searching for documents of an altogether different organization, we will of course take all legal steps to protect our honor and dignity. Whatever political or economic goals were being pursued by this raid on precisely the bank, I emphasize, rather than on the Chara enterprise, which is being formally audited and is located on the adjacent street, and which we knew of in advance, incidentally, our depositors will in no way suffer. I am speaking of this with complete confidence, since all the Chara Bank's activity is based on precise compliance with the laws.

Bank Defends Financial Policy, Claims Entire Capital Comes from Shareholders

944E0676A Moscow PRAVDA in Russian 6 Apr 94 p 6

[Interview with V. Gribov, president of Germes-Tsentr Bank, by T. Piskareva: "Bank's Silence Turns to Gold"]

[Text] A few days ago, on one of the television programs for "businesspeople," this spirited idea was heard: since commercial banks (almost all) operate at the expense of state credits, then all their profit ought to be taken away from them. The idea is spirited but just: after all, as many people are aware, all our most powerful, soundest commercial banks have hatched from state structures.

The Moscow joint-stock bank [AB] Germes-Tsentr, is insured against that kind of "milking." Its president, Vladimir Gribov, allows that the bank could be nationalized or expropriated, and there could even be an attempt to rob it. "Just don't accuse us of getting rich off of state funds." Germes-Tsentr AB has never seen a single state kopek. It simply has no need of any. All its considerable capital comes from its shareholders, 99 percent of whom are "physical persons": ordinary citizens of Russia and the countries of the CIS.

[PRAVDA] Vladimir Grigoryevich, you will agree that you are at the head of a rather strange banking formation: what is a commercial bank and a people's bank at one and the same time.

[Gribov] Computer analysis of the data on our shareholders draws a "face" for the bank that is better than any advertisement—as of our last general meeting, we counted nearly 75,000 shareholders. No single commercial bank in Russia has anything like it. Three-fourths of Germes-Tsentr's shareholders hold just 10 shares apiece.

[PRAVDA] Virtually all last year we heard nothing about the bank. Did you stand aloof that way intentionally?

[Gribov] The shareholders quite fairly have begun to criticize the bank for this. Naturally, all this time we have been working actively. And we have earned accordingly. The results of last year are these: we started the year with a balance of 5 billion, 26 million rubles [R] and ended with a balance of over R34 billion. The bank's profit for this period increased accordingly from R334 million to nearly R5 billion.

That is, we have grown significantly, and all on a shortage of financial fodder. After all, Germes-Tsentr Bank was founded less than two years ago, when the credit-financial market in Russia was actually separated out. The bank's capital stock at the time came to all of R25 million. According to the effective legislation, it was formed wholly out of the funds of its founders. But the founders increased the capital stock from their own deposits to R100 million.

To this day, the capital stock, which comes to R1 billion and \$500,000, comes entirely from the shareholders.

[PRAVDA] Every bank has its own borrowers. Who do you extend credit to?

[Gribov] Last year the bank extended to its clients loans worth R50 billion. Of these, we gave R22 billion to the Germes concern, and R26 billion went for loans to other banks.

Germes-Tsentr is addressing itself to extending serious financing and credit to Russian fuel and energy programs. We intend to expand our work especially with individual depositors.

[PRAVDA] How might one formulate the principle of growth for the banking structure more precisely? Even

the ordinary depositor, let alone the "commercial" one, senses that the bank is growing according to highly complex laws.

[Gribov] Germes-Tsentr is the heart of an entire system of banks that has to be looked on as a whole. For its part, Germes possesses an entire complex of independently operating banks: Tyumen-Germes, Germes-Volga, and Germes-Don, each of which has a network of branches and offices in various regions of Russia. In essence, this reflects the basic "Germes" principle: that exclusiveness, isolatedness, and drawing forces only toward yourself spell ruin. A bank's exclusiveness within the framework of a "head" office is highly undesirable. This is why, despite the enormous expense, Germes-Tsentr is proceeding to create new branches. In the near future, apparently, offices will be created in St. Petersburg, Kazan, and Yekaterinburg.

[PRAVDA] Money in Russia moves so slowly and listlessly now that it must not be easy to be "the heart of a system of banks."

[Gribov] Yes, this is a major disaster—the nonclearing of payments. Do you remember, during the last days of his premiership, Gaydar brought Moscow's leading bankers together to think over together the problem of the transaction system? They entrusted this to the Central Bank [TsB], but the task was simply too much for the TsB. A year ago, we put our payments for oil supplied, say, to Belarus or Ukraine through the TsB, but since the beginning of last June we haven't run a single payment to the countries of the CIS through the TsB. I am convinced that the commercial banks could solve the payments problem themselves.

[PRAVDA] Or clearing centers like the Ekspress system?

[Gribov] Naturally. Those who have come to us have had pretty good results. The Germes-Tsentr MAB [no expansion provided] became the initiator in the creation of the Ekspress system, which 12 Russian banks and the major commercial banks of the CIS countries have joined. Transactions do not go smoothly enough with all countries, but there are no problems on payments with Ukraine, Belarus, Moldova, or Kazakhstan. All transactions with them go through without TsB participation.

[PRAVDA] Vladimir Grigoryevich, Germes-Tsentr has taken its payments to shareholders (after the revaluation of shares) up to nearly 800-percent interest. A very appealing rate of interest, but does it safeguard shareholders against the grandiose, Russia-wide confusion, against the economic incoherence?

[Gribov] I'm a banker. And I will talk about what is closer and more understandable to me as a professional. I am very disturbed that Russia's banks are for all practical purposes not making investments. If investments are not made in the country's industry, it will reach an impasse. Look at the annual report of any

commercial bank. So little is being invested in production you could cry. I'm ashamed for the banks. And alarmed for Russia.

Yes, the banks would be happy to make investments, but they cannot risk the money—other people's money, notice, this is after all the shareholders' money—so improbably. They don't have the right to sacrifice other people's interests or their own banking interests either.

I would simply remind you that today's discount rate is 210 percent, and loans are probably no longer made at less than 213 percent. In nature there does not exist a plan that can pay off, given that crazy loan rate. In essence, the discount rate has begun to generate price increases and inflation. The income that the RF [Russian Federation] TsB and the Russian budget have bears an inflationary character.

It is time to make long-term loans for capital investment. Otherwise, we are never going to be able to straighten out our distorted economy.

We are not wasting time—we are moving forward. The youngest check investment fund in Russia—Germes-Preobrazhenka—plans to pay its shareholders one of the highest dividends!

The fund's board of directors is recommending to the general meeting of shareholders:

- approval of dividends, based on the results of work in 1993, in the amount of 300-percent interest calculated from the date of registration of the second issue prospectus;
- capitalizing the shareholder income with second-issue shares of the Germes concern AO (joint-stock company), substituting at shareholders' request with payment in monetary form.

The meeting will be held on 4 May 1994, at 11 o'clock, at 19a Kuusinen Street (Polezhayevskaya Metro), Moscow. Shareholder registration begins at 10 o'clock.

Hurry!

Shares are still being sold!

Addresses of fund stores: 22 B. Polyanka Street, telephone 238-80-55 (Polyanka Metro), and 24 Komsomolskiy Prospect, telephone 245-02-28 and 247-63-81 (Frunzenskaya Metro)

Izdat-Bank President on Bank's Role

944E0648A Moscow KOMSOMOLSKAYA PRAVDA
in Russian 30 Mar 94 p 6

[Interview with Ivan Petrovich Korovkin, president of Izdat-Bank, by Yelena Levina; place and date not given: "Keeping Manuscripts in the Bank!"]

[Text] There were many banks in Russia prior to the revolution: land banks, banks for the gentry, industrial banks, trade banks... We have enough banks today too. But a bank for the publishing sector is a unique phenomenon. The major publishers of the past—Sytin, Sveshnikov—relied on their private capital. And indeed, Izdat-Bank is the one and only financial institution of publishers today in the world. Why do they have a bank? With this question we began our conversation with Ivan Petrovich Korovkin, president of Izdat-Bank.

[Korovkin] The entire old system of banking services collapsed in five years, and the mass media confronted the problem: With what do we go to the market? Usually people go there with their intelligence and a ruble in their pocket. But where is the poor publisher to obtain money? So the concept was born of establishing a sector bank. The founders were the Russian State Committee on the Press, Ukraine State Committee for Publications, Republic of Belarus Ministry of Information, MOSKOVSKAYA PRAVDA publishing house, and others. They attempted to take into account the specific interests of the sector, developed a mechanism for supporting publication programs, created conditions for protecting the interests of investors, and gradually the editorial offices of 400 newspapers and magazines began opening up current accounts with us.

[Levina] What about the banks that used to hold their money?

[Korovkin] Some 114 banks were just about all at once deprived of steady clients—this does not come easy. We are trying to justify such a decision on the part of editorial offices and provide high-quality service. According to data from the Reyting agency, our bank is in the top 100 of Russia's largest banks. The annual balance-sheet turnover of Izdat-Bank is just short of half a trillion rubles. But this is not the main service we provide. Our assistance has enabled publishers to safeguard themselves from landslide devastation and bankruptcy. We have made conscientious outlays, and if a choice was presented whether to aid "our own" or "others," preference was shown to those connected with printing and publishing. They were afforded credits on preferential terms. We do not receive payment for opening current and settlement accounts. The interest rate for deposits in our bank is 300-310 percent. A client has the right to withdraw a portion of his investment at any time.

[Levina] It is said about banks that they are the circulatory system of the economy. Our economy is gravely ill. Are the banks not at least somewhat to blame for this?

[Korovkin] Banks constitute the only genuine market element of our economy. And for some reason it is they the state is ruining, choking them with taxes, leaving them no funds for investments. And this is one reason for the current wave of bank collapses. A second reason is reciprocal nonpayments. Banks are bearing tremendous losses due to untimely return of extended credits—they themselves are turning into debtors. The delinquent indebtedness of Izdat-Bank has increased 5.7-fold as of 1 January 1994, although the bank is replete with professionals who used to work in the Ministry of Finance, USSR Gosbank [State Bank]...

[Levina] Sometimes it seems that all our bankers and other prominent individuals in the business world—they all originate in the ministries...

[Korovkin] A misplaced irony. The system of bank formation we have in Russia is just now being established. We are sending young and willing specialists for instruction and on-the-job training in the United States, Austria, and Japan.

[Levina] Forgive me, but what is the benefit to us journalists by virtue of the fact that there is an Izdat-Bank in Russia?

[Korovkin] We opened up accounts for the families of journalists who died in Moscow during the events of 3 and 4 October—accounts of one million rubles per family. Through financing we have supported the international book fair. We allocated funds for publication of the Russian-French magazine VIS-A-VIS. Until the Fund for Financial Support for Needy and Novice Authors is established, writers and journalists need not be ashamed to turn to us for assistance. Right now we are materially supporting the Russian classicist Leonid Leonov, who is 95 years old. He continues to work. He is writing a philosophical novel and is in critical need of funds.

[Levina] To the best of our knowledge, you yourself are now in need of money?

[Korovkin] I would not put it so strongly. We assumed responsibility for the accounting operations regarding budget financing of newspapers and magazines. We tried to establish control over the use of these funds and get an effective arrangement for knocking these funds loose from the Ministry of Finance. And then—we encountered opposition from officials of the Operations Directorate of the Russian Central Bank. They have been doing everything possible to impede the transfer of budget funds to the legal disposal of the sector bank. Intervention by the Ministry of Finance, the government, and even the president himself—have failed to produce a positive result. The Central Bank usurped the right to dispose of your money and ours. And this is R70 billion. Will we get this money?

[Levina] And after you—will we journalists get any money? And after us—will our readers get their newspapers and magazines? At the end of this rhetorical question let us not put a period, but an ellipsis...

Incorporation Capital for Newly Registered Banks Disputed

944E0645A Moscow IZVESTIYA in Russian
30 Mar 94 p 2

[Article by Ivan Zhagel, IZVESTIYA correspondent: "The Association of Russian Banks Protests Against the Central Bank's Decision"]

[Text] As before the decision of the Central Bank to introduce a minimum rate of up to 2 billion rubles for the charter capital of banks being newly registered, beginning 1 March, with its subsequent increase up to a rate equivalent to 5 million ecu (at the present exchange rate—up to R10 billion), remains the most acute problem in the Russian banking sphere.

After a long silence the Association of Russian Banks has expressed its attitude toward this problem. A few days ago it sent a letter to the State Duma in which it essentially demands the repeal or the suspension of the operation of the pertinent Central Bank directive.

In the opinion of the association's board of management, although the need to increase the internal resources of the banks under conditions of rapid inflation is obvious, "this process should be gradual, taking into account the actual resources of the banks and the needs of the economy." Under the present specific conditions the raising of a charter capital of R2 billion is a task beyond one's strength. There are simply no such resources in the majority of oblasts, krais and cities. In this connection new banks will not be created in the next few years and part of those already in operation will be closed down.

And this given the fact that 27 oblasts and republics now have less than 10 banks each. Because of this each banking institution serves several rayons. For example, in Novgorod Oblast, which is made up of 22 rayons, there are only three banks and eight branches and in the 40 rayons of Kirov Oblast—seven banks and 17 branches. Naturally, in this case there can be no question of any competition in the banking sphere or of any quality of banking service.

As to the question of a further increase of charter capital, it also appears moot to the Association of Russian Banks. The fact is that there are now in Russia only 28 banks with a declared charter fund of more than R5 billion. And even for them bringing internal capital up to R10-12 billion is a rather complicated task.

Draft Law Provisions to Regulate Joint-Stock Companies Viewed

944E0645B Moscow IZVESTIYA in Russian
30 Mar 94 p 4

[Article by Igor Karpenko, IZVESTIYA correspondent: "A Law for the Stock-Holder; the Economic Reforms and Millions of Citizens Await it"]

[Text] Up to this point there is no law on joint-stock companies in Russia. And every entrepreneur now operates under the threat of the court and penalties based on the legislation presently in force. First Deputy Chairman of the State Committee on the Administration of State Property Petr Mostovoy, one of the leading authors and elaborators of the law on joint-stock companies, has recounted to IZVESTIYA how the government intends to resolve these problems.

"The obvious criminalization of Russian business," says Petr Mostovoy, "is in many respects related to the major deficiencies in the legislation now currently in force. Precisely that is why many entrepreneurs and simply adventurers calmly make deals knowing beforehand that they will not be able to fulfill their conditions and that it is difficult to make them answer for this according to the law. On the other hand, the victims also well know that it is simpler for them to conduct an 'investigation' with the use of a fire-arm than legal proceedings."

It is no secret that today we protect the rights of all participants in the economic turnover poorly.

During the years of Soviet power our Civil Code underwent such changes that today it is absolutely inadequate for economic and legal reality and many situations have proven to be practically altogether without regulation. The question of the legislative regulation of the activity of joint-stock companies is especially critical. The draft of a law on joint-stock companies has been prepared for a long time already and its elaboration has been delayed somewhat precisely because it has been necessary to coordinate its basic norms, formulations, and terminology with the draft of the Civil Code. Moreover, the authors of the draft legislation, well understanding its enormous importance for the activity of joint-stock companies, have refrained from the temptation to introduce its basic provisions by presidential edict. Without the approval of so important a legal document by the parliament it would be more complicated to insist on the need for and the obligatory nature of its use for all joint-stock companies.

Both the law on joint-stock companies and, in addition, draft bills on trading partnerships, state enterprises, non-commercial organizations, cooperatives and some others will be introduced together with the Civil Code for the consideration of the Federal Assembly.

These acts are vitally necessary. The fact is that even the legal sphere of the activity of state enterprises, which constitute so significant a share of economy, leaves much

to be desired. Thus, the institution of "complete economic authority" as the legal basis for the activity of state enterprises has long since outlived itself. In the draft bill it is planned to transform state enterprises in two directions. Basically, they will be transformed also into joint-stock companies with a varying share of the property remaining with the state and even with a 100-percent share of state capital.

This is not simply a change of sign in P. Mostovoy's opinion. State enterprises as juridical bodies are thereby transferred into the category of active participants on the basis of the right of ownership. The possibility is created, incidentally, of recovering their debts with the use of a penalty on the property of such an enterprise. There also are many other positive features. The preconditions emerge for attracting non-state funds and investments into such joint-stock enterprises.

Another alternative for state enterprises is their conversion into "public (kazenny)" enterprises, i.e., operating not on the basis of the right of ownership and economic authority, but on the basis of operational control. The state is the proprietor of such enterprises, similar in status to institutions. Today the first precedents have already been created. Such enterprises as a port administration, enterprises for air traffic control and the use of air space, a basin administration on rivers and a further entire series of structures have been converted to the status of institutions, but with definite opportunities in the sphere of economic activity.

What are the defects of our previous legislation? In the first place, norms ensuring the protection of the rights of the stock-holders are almost completely absent in this legislation. Norms which protect the minority of stock-holders from decisions taken by the majority to the detriment of their interests are lacking. In particular, those provisions which are common for world practice according to which stock-holders who possess if only ten percent of the shares have a right to convene a stock-holders meeting, to schedule an audit of the activity of a joint-stock company, to require a valuation of the shares belonging to them at a fair market price in the case of the reorganization or liquidation of the company, etc., etc. Such norms are present in the privatization legislation but they are absent in the general legislation for the country and for enterprises created outside the privatization process.

For example, the activity of closed type joint-stock companies is very poorly regulated. This is a sphere of purely entrepreneurial initiative. With us such companies cannot be created with the participation of state capital, only with the participation of foreign investors. So, regulation of their activity falls outside the sphere of privatization legislation.

The entire practice of the activity of these joint-stock companies shows that a stock-holder there is especially unprotected. Right up to the fact that the possibility of the compulsory confiscation of shares from certain

stock-holders based on a decision of the general meeting is provided for in the founding documents of such joint-stock companies, which is complete nonsense. If any one of the members of such a company wishes to sell his shares, then he is obliged to sell them either to the company or to his favorite stock-holder at a price which is known to be unobjective. And there are no norms whatever protecting the stock-holder.

The majority of the norms which protect creditors are also absent in today's legislation. In particular the norms related to the obligations which ought to result if a joint-stock company undergoes reorganization, is liquidated, or the charter capital of the joint-stock company is decreased. Such mutual relations of a joint-stock company with a creditor are not regulated in Russia. And the only alternative remaining to creditors is to initiate bankruptcy proceedings.

As a matter of fact, Petr Mostovoy thinks, bankruptcy is not at all obligatory in the majority of real situations. If the appropriate norms were in effect in the general legislation, one should be able to regulate these disputes by other less painful methods. The courts before which applications concerning the bringing of a bankruptcy action come up don't know what to do with them, they haven't the practice, and there isn't an adequate normative base. The appropriate provisions have already been established in the draft bill on joint-stock companies.

Questions related to the issuance of shares and their distribution are regulated in greater detail in it. It is well known that joint-stock companies issued additional shares in order to obtain funds to cover debts, that dividends were paid to stock-holders through funds received from an issuance, and that these funds were used for regulating mutual relations with third parties, which is not to be tolerated.

What more new is there in the draft law on joint-stock companies? For example, norms regulating reorganization procedure: additions, mergers, divisions, separations. In today's legislation there are norms which concern only the merger of companies and they are present in one single document—in the provisional statute on holding companies. These norms have been treated in greater detail in the draft bill and have been extended to all types of reorganization.

Questions related to the rights of the possessors of privileged shares have also been entered in greater detail. In particular the range of situations when they acquire the right to vote at a general meeting of the stock-holders has been defined: if the joint-stock company does not fulfill its obligations with respect to them, does not pay dividends over a period of two years, etc. They retain such a voting right as long as the company does not settle with them completely.

If in the next few months the Federal Assembly will consider and adopt the Civil Code together with the law on the joint-stock company and the draft bills regulating the juridical relations of all the remaining participants in

economic turnover, then, in Petr Mostovoy's opinion, Russia will secure a serious legislative base for the market economy and the sphere in which the state today is compelled to exercise its regulating functions will be drastically limited.

Committee Chairman on Stockholders' Rights

944E0665A Moscow *EKONOMIKA I ZHIZN*
in Russian No 12, Mar 94 p 8

[Interview with A. Volgin, Chairman of the Moscow Public Committee for Stockholders' Rights, by reporter L. Lidrianov: "The Thorny Path of the Native Investor"]

[Text] It is no secret to anyone that man is the basis for all economic, social and political relations. In V. Dal's dictionary we read, "Man—the individual, highest of earth's creatures, gifted with reason, free will and speech: a) carnal man—hardly distinguished from the animal, in him the fitting spirit is hidden; b) natural man—recognizes only the material and civil law, does not meditate on eternity, falls to temptation; c) spiritual man—in good and truth because of his faith, his goal is eternity, conscience is his law and he withstands temptation. These levels of man can be achieved by man through his will." From the aforementioned an axiom can be formulated easily: The better man is, the better will he arrange life. The logical conclusion to what has been said is the following formula: we live badly because we ourselves are bad. However, the difficulty has to do not with this simple conclusion (even though this too is not easy) but with understanding what is good and what is bad.

A. Volgin, Chairman of the Moscow Public Committee for Stockholders' Rights, discusses today's everyday problems and the role of relations between people in the sphere of stock turnover with our reporter, L. Lidrianov.

[Volgin] As director of Adamant Financial Corporation and manager of two investment funds—Derzhava and Radonezh, I, as no one else, experience the rigors and adversities of the Russian investor on a daily basis. In my opinion, most problems are related to serious violations of the rights of stockholders, which can be protected only through joint efforts.

I was able to organize a group of like-minded individuals from among representatives of investment funds, associations of privatized and private enterprises, associations of non-government pension funds and other organizations, and to unify them in a Public Committee for Stockholders' Rights. All of these people work professionally in the stock market, which is very important. We feel that such public intellectual centers, allowing everyone to move forward together in the area of improving laws and court practices, and increasing the knowledge of the population, should exist throughout the country. At the present time an enormous number of people are participating in the stock market (60 million stockholders and thousands of companies, enterprises, banks and investment funds). In practical terms it is

possible to help each one only if an environment is created for honest business. Only by functioning in such an environment can we guarantee that the rights of the individual will be protected.

It is on this basis that we established the basic directions for our operations.

First, we wish to improve the legal system, and not only laws but normative acts as well. In this matter we wish to be completely professional, discussing not only the concept of the laws, but every letter and comma, and what impact they will have on the rights of particular participants in the stock market. After all, many things that may not appear to be very significant to public opinion actually seriously affect the rights of stockholders. Recently the Duma discussed in all earnestness the idea of increasing the tax rate from 0.3 to 3.0 percent for stock operations. In patching the holes of an ever-expanding budget, we are often prepared to grasp at any means that turn up. Yet this measure may have enormous economic consequences. It will temporarily shut down the stockmarket and create hindrances on the path of moving capital from ineffective to effective spheres of the economy. All of this will result in a violation of the most important rights of the stockholder—the right to sell his stock. I must say that in general, a tax on stock operations is unique. In Japan it was introduced only to combat the artificial stockmarket boom. But even under our conditions, in which the market is not at all developed and is characterized by a low liquidity, the purpose of introducing this tax is completely incomprehensible. This is only one example of how a question which does not appear to be directly related to the rights of stockholders in reality may affect them quite seriously. We are ready to participate professionally in discussing all such questions and in promoting the most important, in our opinion, point of view—that of the man who has invested his money.

The second direction that is very important to us is education—increasing the level of awareness of the population. It is difficult to defend a person if he has invested his money in some sort of doubtful enterprise. Despite the fact that they have been deceived thousands of times, our people continue to repeat previous mistakes with some sort of improbable stubbornness. For example, how many times have we talked about that notorious MMM? Articles have even appeared in the paper about it. Have you seen what is written on their stock? "The MMM closed joint stock company is the owner of ten stocks of the MMM open joint stock company." There is a seal and two signatures. There is no other information, no last names, and no registry number. What relationship a purchaser of this stock has to the MMM closed joint stock company is completely incomprehensible. But it is quite evident that if the rights of these people are violated not a single court will even examine the documents. Thus we have a flagrant example of man's stupidity, for which we cannot be responsible, of course. In my opinion the government also should not be responsible, otherwise we will never

teach the people. After all, if you play "Lotto-million," you do not demand a return of your money if your ticket does not win. On the stockmarket, everyone wants to achieve the fabulous profits, but no one wishes to be responsible for decisions that have not been clearly thought out. The stockmarket is always risky, and one must think clearly before trusting anyone with one's money.

It is in the area of educating the Russian investor that the committee has been most active up until now. Over 100 publications have been published and there have been radio and television spots devoted to explaining the basic principles of using the stockmarket. For example, we have explained many times that money should not be invested in a stock company if there is no knowledge of who manages it. Has anyone seen the manager of the Neft-Almaz-Invest firm, or members of its administrative council, or its chairman? Have they been on television, in the newspapers, at meetings of stockholders? After all, if the public does not know a single last name, if the representatives of a particular company are afraid to look people in the eye, one simply should not do business with such a company. Yet our people cannot seem to understand this, and "swallow" any advertisement. This is why the Committee for Stockholders' Rights will continue to steadfastly devote itself to educating people in this area while at the same time depending on the press, since a well-coordinated campaign on the part of the mass media could undoubtedly play a large positive role here.

The third important direction we will follow involves the collection and analysis of precedents for solving particular problems. Again, via the mass media we are prepared to discuss instances in which the rights of stockholders have been violated and how it was possible to successfully defend these rights. This has a very great effect on violators, who naturally would prefer to remain unknown. Of interest is a recent case involving Novomoskovsk's Novomoskovskbytkhim Joint Stock Company, which has among its stockholders the well-known American company, Proctor and Gamble, as well as Russian investors such as Alfa-Kapital and Derzhava investment funds. Thus, the American investor, with 15 percent of the stock and without having invested a single dollar as of yet, proposed to the joint stock company that it be given the right to veto any decisions that are made, even if they are passed by a majority of stockholders. Nowhere in the world, including in the U.S., do such practices exist. It is incomprehensible why in our market this company suddenly decided to attempt this innovation. With immediate action on our part we were able to block passage of such a rash decision which would have unequivocally violated the rights of native investors.

The next direction in the activities of the Public Committee for Stockholders' Rights is related to providing information services to large investors. In particular, we plan to establish ratings of regions based on investment attractiveness. We will use indicators such as the number of violations of stockholders' rights and the presence of a

normative base in the region to defend such rights. Unfortunately, we now must often struggle with local authorities who indulge in protectionism with regard to homebred investment companies to the detriment of investors "from the outside." Moreover, we plan to become involved in making up lists of enterprises, all of the documents of which (charter, issuance prospectus) correspond completely to the existing laws on the rights of stockholders.

[Lidrianov] Doesn't Minfin [Ministry of Finance] carry out such work?

[Volgin] I do not know of any instance in which the finance ministry has demanded that changes be made in the charter of a particular joint stock company based on new laws, as required by the new State Privatization Program. Thus we will mention those joint stock companies that voluntarily alter their documentation to fully correspond to the requirements of the law. I think that with time this kind of approval by the Committee for Stockholders' Rights will be essential for both investors and joint stock companies.

[Lidrianov] You stated that the government should not become involved if the investor allowed himself to be deceived. Yet the recent incident involving Tekhnicheskii Progress Joint Stock Company showed that government functionaries think differently.

[Volgin] This is a classic example of a government decision to compensate investors for losses based strictly on political gains. Moreover, the way this was done was fraught with many mistakes, which actually amounted to encouragement of the foolhardiness demonstrated by many people. From the very beginning of operations by Tekhnicheskii Progress Joint Stock Company, we, then simply as directors of an investment fund, warned that fraud was clearly obvious. Compensating everything and everyone meant creating prerequisites for having such cases reoccur and for encouraging new fraud.

[Lidrianov] Have any lawsuits been initiated?

[Volgin] A lawsuit will begin now. But that is not the problem. These people and the money are no longer in the country. The fact is that this development of events was apparent 4 months before their disappearance. During this time, negotiations were carried out and possibilities for avoiding scandal were examined. As a result, there was a scandal anyway, and many more people suffered. I am afraid that the same thing can happen with some investment funds. After all, we know of no case of thorough revisions in the operations of any investment fund despite the fact that some of them should have interested competent organs long ago.

[Lidrianov] What advice could you give today to those stockholders who cannot obtain any information from their joint stock company because they simply cannot find it?

[Volgin] Here it is very complicated to give advice because no real instruments for proceeding exist. They can turn to the tax inspectorate or tax police. But in my opinion these two organizations are still very passive. If someone has promised a 500-percent annual return this means that the budget should receive at least 250 percent, and for this reason a tax inspector's interest in this company should be aroused. But as of now this is not happening. In any case, right now I know of no case in which an advertising campaign has been halted because of the action of the tax police.

I could suggest turning to the office of the public prosecutor. It is also obligated to make sure that laws are adhered to, but as of now it does not note the majority of cases even though many violations have already been discovered in this sphere.

Of course in our country it is not only the rights of stockholders that are violated. But the rank and file find it more difficult to understand this sphere, and for this reason a particular level of professionalism is required of those who protect the rights of investors.

[Lidrianov] Thank you, Andrei Aleksandrovich, for the interesting discussion. It will clearly bring a great response from our readers. In conclusion I would like to turn to all those who, for the sake of their own advantage, have forgotten the moral principles that are the foundation of any flourishing society. What kind of society are you helping to build by deceiving your people? After all, you are a member of that society!

Head of State Investment Corporation on First Year in Business

944E0667A Moscow NEZAVISIMAYA GAZETA
in Russian 31 Mar 94 p 4

[Interview with Yuriy Petrov, head of the Russian Investment Corporation, by Aleksandr Yakushev, NEZAVISIMAYA GAZETA correspondent; date and place not given: "Yuriy Petrov is Ready to Work with Investment Resources; the State Share of Privatized Enterprises Comes Within his Disposal"]

[Text]

[Yakushev] The State Investment Corporation which you head is a year old. What are the results?

[Petrov] A year is not too great a period to build up a serious organization. We have obtained the money to create the charter fund with great delay and the total amount of the funds we have received comes to about 10 percent of that envisaged by the Russian Federation President's decree about forming the corporation. That is why, based on the actual amounts which we managed to nevertheless obtain with great difficulty, we did not set ourselves the goal of investing it in projects right away since we understood perfectly well that their implementation would not have been able to have had any substantial influence on the structural reorganization of the economy. That is why the main attention and efforts

were concentrated on the working out of economic and legal mechanisms ensuring an inflow of domestic and foreign investments into the economy of Russia. Strictly speaking, precisely this goal was pursued also in the creation of the corporation.

[Yakushev] What sort of mechanism do you have in mind?

[Petrov] The question is one of creating an integral system capable of mobilizing and optimizing financial flows and of achieving the concentration of resources in the most important directions, of ensuring effective control and, what is the main thing, of protecting investments from risks. Probably not everybody knows, but based on the degree of political risk for the investor, Russia occupies 50th, and based on the degree of economic risk, 53rd place among 54 countries of the world.

We have done all the necessary work to inspire the confidence of foreign investors that their capital is protected. Literally a few days ago the Russian Investment Insurance Company (Rossiyskaya kompaniya po strakhovaniyu investitsiy) was registered abroad. Its assets have also been invested abroad. The goal of the company is to secure the insuring of the foreign investments from political risks (war, expropriation, currency inconvertibility, the alienation of property rights, etc.). As yet the company's charter capital is relatively small and is capable of ensuring the protection of investments in the amount of US \$350-400 million. And this is no longer a little. Moreover, the organization of insurance will give rise to an "avalanche" effect and the example will indicate also Russia's concrete steps in creating real guarantees for Western investors. The most important world insurance companies have already expressed a readiness to associate themselves with our insurance fund.

We propose to insure the commercial risks of investors through our insurance company currently being established in the territory of Russia.

[Yakushev] What could you say about the structure of your organization and its associates?

[Petrov] From the very beginning we set a goal of taking on only the strictly necessary number of associates. That is why the entire central staff of the corporation numbers a little more than 40 persons. Most of them are highly skilled specialists.

Besides the central staff a number of subsidiary khozraschet enterprises, such as Gosinkor-trast, Gosinkor Torgovy Dom, and Gosinkor Lotereya have been established. The regional representatives of the corporation are beginning to work more actively. We have been the founders of such financial structures as the inter-bank investment association Invest-kredit and the Entrepreneurship Development Bank. Gosinkor will become a powerful financial holding company in the future.

Expert appraisal and project financing groups have gradually been formed in the corporation. Work in training personnel for Russian institutions related to the investment process is expanding. About 2,000 projects have been certified and the data base is steadily being enlarged. The Partners of Russia investment fund has been created jointly with the OPIC (an American foreign private investment corporation). Moreover, we have paid in \$5 million and issued insurance for \$20 million. The total amount of the fund will come to about \$100 million, which will permit the attraction of almost \$1 billion in investments into the Russian economy. This is already quite decent. We are participating in the creation of several more such funds.

All these are the components of a single mechanism, without which one cannot efficiently carry on the investment process.

[Yakushev] Why wasn't the edict of the president of the Russian Federation about allotting you the necessary monetary funds carried out?

[Petrov] Because in the previous government there were people for whom a presidential edict was not a guide to action. Of course, one should also take the difficulties which the country's economy has faced into account. However, I think that the government's leaders should have looked ahead. There's no need to talk about this now. The main thing is that the corporation is standing firmly on its feet and the battles have only hardened us.

[Yakushev] Do you have an investment policy concept?

[Petrov] Yes, we have such a concept. In the very near future we intend to give a report on it to a meeting of the Commission on Day-to-Day Problems of the Government of Russia (Kommissiya po operativnym voprosam pravitelstva Rossii) which Vice Premier Oleg Soskovets heads. We expect that, taking into account the structures which have been formed and the experience that has been accumulated, we will be able to become a serious partner, or, more precisely, a mechanism of the government in conducting investment policy and improving the legislative base of the investment process.

It is my profound conviction that Gosinkor should become the mechanism for converting from a centralized administrative investment system to a market system relying on fundamentally new sources and utilizing the methods of the investment banks of the West, which have also provided the financial basis for the prosperity of the capitalistic economy.

Analysis of the investment readiness of our plants has revealed a paradoxical result—not a single facility is ready for correct and sound investment. From force of habit all state a need for money "from Moscow," and not one ponders over actual repayment and even survival. To give them money today is to simply mechanically continue free financing and to irretrievably waste the latest budget funds on potential bankruptcy. That is why we set ourselves the goal not to delay the tragic outcome

at the price of the latest money but to create a mechanism and conditions which will not tolerate, first, the continuation of cost-based financing, and, secondly, will really help an enterprise to switch over to the rules of market investment, to adapt itself and to survive under modern conditions. The fact is that there are not enough budget funds and even the market theory of investing regards centralized resources only as a component of the investment flow where the basic accent should be put on traditional sources—the funds of the population and of enterprises, pension, insurance and other funds, and foreign investors.

[Yakushev] What goals are you setting yourselves for next year?

[Petrov] Much depends on what resources will be given over to the State Investment Corporation for the fulfillment of its charter tasks. In the present case I mean the financial resources and property intended for filling up the corporation's charter fund, centralized capital investments, as well as the state shares of the stocks of privatized enterprises which, on the basis of agreements already achieved with the Russian Federation State Committee on the Administration of State Property and the Federal Property Fund, will be transferred to us in trust management or for sale at investment auctions.

On the whole the mechanism created by the corporation and the experience accumulated permits one in the shortest time possible to expand the attraction of investments along a broad front through insurance activity and to more efficiently manage centralized capital investments, having ensured their maximum use and a high return.

The creation of an investment-tender center, where, after the appropriate preparation, blocks of shares of privatized enterprises will be offered, will be an important direction. The stage of the practical implementation of an entire series of investment projects with the participation of both the corporation's internal capital funds and domestic and foreign capital will begin in the current year.

Strategies for Economic Policy at Regional Level Examined

944E0678A Moscow DELOVOY MIR in Russian
31 Mar 94 pp 4, 5

[Article by Dmitriy Matsnev, candidate of economic sciences, Institute of Economic Forecasting of the Russian Academy of Sciences: "Sovereignty of the Russian Regions: Political Myth or Economic Fact?"]

[Text]

Evaluation of Economic Independence

The ominous symptoms of Russian collapse appeared about 1 year ago, in early 1993. The problem of making the Russian regions sovereign did not arise out of

nowhere; during the radical transformations being carried on in the country an objective trend toward weaker inter-regional links appeared. They were caused by the general, critical worsening in manageability of the country's economy, the drop in production, the liberalization of foreign economic activity, the increase in rates for transportation services, and the universal development of "barter economy."

The economic space of Russia is formed from significantly different regions which are distinguished by level of economic development, sectorial specialization, and natural-climatic conditions. At the same time these regions are strongly dependent on one another. For one, they are closely interlinked by deeply specialized high-tech production. For two, for a large majority of the regions the output produced in them can only find users in the domestic Russian market. During the prolonged period of joint development a certain social division of labor among regions and sectorial specialization of regions within the framework of a single Russian economic complex took shape. This led to the situation where a large share of the output in each region is being produced for these partners or received from them. In the late 1980s this proportion was at a level of roughly 23-30 percent, that is, from a quarter to a third of the output was produced for other regions and consumed as the result of import it from them. A further disruption of links among regions will inevitably intensify the drop in production, which in turn will inevitably lead to growth in social tension.

Science has the essential tool for modeling economic processes, which makes it possible to forecast deformation, weakening, and even the disintegration of links among the Russian regions and to assess the impact of changes in these links on local economies. A cycle of these modeling calculations for 11 consolidated Russian economic regions was made at INP RAN [Institute of National Economic Forecasting of the Russian Academy of Sciences]. The calculations showed that the decrease in domestic final product of a region is directly proportional to the degree of weakening of its external links. For each region the coefficient of this proportionality shows the magnitude of change in its final product (in percentage) for a one percent change in external links, that is, it shows how dependent the region is on its external links. If this coefficient is zero, the region is completely independent of external links. This means that its regional reproduction process is capable of being carried out on an autonomous, isolated, autarkic basis. If the coefficient of dependence of the region's economy on external links is equal to one, the region is completely dependent on external links and if they were fully broken the region would not be able to carry on the reproduction process. This fits regions with the most open economic systems.

As a result of the modeling calculations the following values were obtained for the coefficients of dependence of the economies of the Russian regions on their external links:

Coefficients of Dependence on External Links	
Ural	0.49
West Siberian	0.62
Volga	0.65
Central	0.67
Northern	0.69
Eastern	0.71
East Siberian	0.74
North Caucasian	0.75
Volga-Vyatka	0.76
Northwestern	0.78
Central Chernozem	0.92

A kind of "experimental" confirmation of our theoretical calculations is the fact that it is precisely in the most "independent" of the Russian regions, the Urals, where

the Republic of Bashkortostan, which declared its sovereignty as early as 1990, and the Ural and South Ural Republics, which in July 1993 tried to emerge on the basis of Yekaterinburg and Chelyabinsk Oblasts of the Russian Federation respectively, are located.

The oil and gas workers and miners of the West Siberian region, who are next after the Ural Region in level of economic "independence," conduct themselves quite independently. The Republic of Tatarstan, the main constituent part of the Volga Region, acts with great confidence in dealings with Russian federal authorities—this is the third-ranked among the Russian regions in level of economic "independence."

So the less the economy of a region depends on external links, the higher the level of objective preconditions for its economic sovereignty. And vice versa.

What paths can the Russian regions take, and what awaits them if these preconditions become reality?

Possible Strategies

Modeling the behavior of the Russian regions according to the strategies of their possible behavior produced the following results (see Table No 1 below).

Table 1. Results of Regional Economic Strategies

Strategy of Regional Autarky		Regions of Russia (arrow direction shows predicted strategy)	Strategy of Regional Free Trade		
Decrease from Realization of Strategy, in percentage			Change Because of Realization of Strategy		
Final Internal Product of Region	Aggregate Social Product of Region		Final Internal Product of Region	Aggregate Social Product of Region	Coefficient of Depen- dence of the Region's Economy
-48.7	-50.8	Ural (arrow right)	+0.3	-42.0	1.00
-61.5	-58.2	West Siberian (arrow right)	+0.2	-58.7	1.00
-65.4	-66.1	Volga (arrow right)	+0.3	-26.7	1.00
-67.3	-61.4	Central (arrow left)	-11.6	-1.2	0.63
-69.0	-65.2	Northern (arrow right)	-9.9	-1.7	0.66
-71.4	-62.4	Far Eastern (arrow right)	-27.5	-11.0	0.61
-74.5	-68.5	East Siberian (arrow right)	-10.0	-1.6	0.72
-75.2	-71.8	North Caucasian (arrow left)	-19.0	-2.0	0.69
-75.7	-74.0	Volga-Vyatka (arrow left)	-3.5	-0.4	0.75
-78.2	-73.4	Northwestern (arrow left)	-15.9	-1.4	0.74
-92.1	-91.3	Central Chernozem (arrow left)	-25.7	-15.2	0.89

It can be seen from the table that realization of the strategy of autarky would have disastrous consequences for any of the Russian regions, and therefore none of them will take up this path on their own, of their own free will so to speak. At the same time, the weakening of

links among regions makes the strategy of regional free trade objectively possible, above all for the Ural, West Siberian, and Volga regions. In the transition to this strategy they even experience a certain increase in internal final product, mainly from sale of the output of

their oil and gas industry at world prices. For all the other regions the strategy of regional free trade appears to be a definite lesser evil than the strategy of autarky because the decline in their economies within the framework of one of the strategies will be fundamentally less than in the other.

Diagram of Russian Economic Space and Regional Distribution (by percentage) of All-Russian:

(Region)	Production Volume	Fixed Production Capital	Number of Persons Employed in Production
Northern	4.2	5.3	4.1
Northwestern	5.9	5.5	6.2
Central	20.6	15.4	20.3
Volga-Vyatka	5.5	4.9	6.2
Ural	14.6	15.1	14.0
West Siberian	12.1	13.8	10.8
East Siberian	5.9	7.7	5.9
Far Eastern	5.7	6.3	5.2
Central Chernozem	5.1	5.4	5.4
Volga	11.8	12.6	11.9
North Caucasus	8.6	8.0	10.1

But not all of these regions will be able to carry out the strategy of regional free trade in reality. This is tied, first of all, to the correspondence between output exported from the Russian regions and the requirements of the world market, that is, with its competitiveness under world price conditions. For the Northern Region, where export of output from the timber industry and ferrous metallurgy predominates, and for the Far Eastern and East Siberian regions (export of output from timber industry and nonferrous metallurgy) these requirements and conditions are feasible in principle. Consideration must also be given to the traditional export orientations of the sectors themselves in these regions. The machine building output that dominates in the export of the Central, Volga-Vyatka, and Northwestern regions will hardly be able to become competitive under world market conditions in the near future. This also applies to the machine building, light, and food industry of the North Caucasian and Central Chernozem Regions. Therefore, five regions (Central, North Caucasian, Volga-Vyatka, Northwestern, and Central Chernozem) will lose the possibility of supplying themselves on an equivalent basis with energy media, construction materials (or raw materials to process them), and output from timber and wood processing industry from the other six Russian regions which, within a strategy of free trade, would be oriented primarily to the world market. For this reason the five old industrial regions of Russia will be doomed, against their will, to a strategy of regional autarky. As a result, within the unified Russian national economic complex two alternative strategies of behavior will begin to be realized by its constituent parts, which is

shown in Table 1 by means of arrows pointing in the appropriate direction. This will inevitably lead to further weakening of links among the Russian regions.

Evaluation of the Consequences

The consequences of realizing both strategies for the Russian regions will be extremely negative. The disastrous decline in production has already been discussed. However, the strategy of regional free trade will also be accompanied by extremely negative consequences for a number of regions. As the result of its implementation, agriculture and light and food industry, unable to withstand competition with the corresponding products in the world market, will cease to exist in the Ural and West Siberian regions. In the West Siberian region they will lose, in addition to these, the ferrous and nonferrous metallurgy, machine building, timber, wood processing, and building materials industries. In the Volga region light and food industry will be forced out of existence.

The table shows how this factor has caused a sharp decrease in the volume of aggregate product in these three regions. Because of the deep decrease in the level of integration in economic development in these three regions the coefficient of dependence of their economies on external links is rising sharply and will be equal to one, that is, they will become economic systems that are absolutely dependent on world economic links. This will mean a complete loss of their economic sovereignty because they will become resource appendages of the world market. At the same time, owing to the significant decrease in production volumes because of the elimination of whole groups of sectors in the West Siberian, Ural, and Volga regions, an equally significant rise in unemployment is inevitable—from 27 to roughly 60 percent of the total number of persons employed in material production there. This will inexorably lead to such an intensification of social tension in these regions that the slight economic advantage from realization of the strategy of regional free trade will be far outweighed by the social costs, above all the loss of social stability.

The consequences of a transition to the strategy of free trade will be entirely different for the Northern, East Siberian, and Far Eastern regions. In the first two regions the decline in material production will not exceed two percent. The Far Eastern region is somewhat of an exception; the decline in production there will be at the level of 11 percent (mainly because of a decrease in production volume in the food industry, construction, and agriculture). By contemporary measures such a decline is not disastrous, so one need not fear a tangible increase in unemployment in these three regions as a result of their transition to the regional free trade strategy. Realization of this strategy also will not have a significant impact on the level of these regions' economic dependence on external links. For all three regions this coefficient will decrease slightly: from 0.69 to 0.66 for the Northern Region, from 0.71 to 0.61 for the Far Eastern Region, and from 0.74 to 0.72 for the East Siberian Region.

At the same time realization of the strategy of regional free trade will make it possible, using the opportunities of the world market, to sharply improve supply of food and light industry products to the population of these three regions and supply of fuel, metal, chemicals, and machinery and equipment to their production sectors. The situation with consumer goods will be especially critical. The proportion of import in consumption of light industry products in the Far Eastern and Northern regions exceeds 65 percent. The proportion of import in consumption of food industry output in the East Siberian Region is roughly 37 percent. These regions significantly exceed all other Russian regions for these indicators; in other words, they are too dependent on deliveries of food and light industry products (mainly from the Russian Central Zone and South). But forecasts made by the INP RAN of the development of these sectors show that light industry production for Russia as a whole will decrease by one-half in 1995 compared to 1990, while food industry production will decrease by more than one-third. Under these conditions it is hard to talk about normal supply of essential products to inhabitants of the Northern Region, who mostly live in extreme natural conditions.

It is even harder to solve the problem of supplying light and food industry output to inhabitants of the East Siberian and Far Eastern regions. The great remoteness of these regions, given liberalization of prices for energy media and the corresponding sharp increase in transportation charges, will inevitably create an economic barrier that hinders the economic links of the Far Eastern and East Siberian regions with the rest of Russia. Therefore one need have no doubt that realization by the Far Eastern, East Siberian, and Northern regions of an "open door" policy with the world community within the framework of the strategy of regional free trade will get the necessary support from a large majority of their populations.

Social stability in these regions may be a promising guarantee that they will receive essential investment from the world market. This will make it possible to solve one more of the most critical problems of the Far Eastern, East Siberian, and Northern regions. Their sectorial specialization is oriented to the extraction and primary processing of natural resources under harsh natural-climatic conditions. Throughout the world this kind of production has extremely high capital-output ratio and capital investment intensity. According to INP RAN forecasts, however, by 1995 the volume of capital investment in the Russian economy may decrease by more than one-half compared to 1990. This will inevitably force the Far Eastern, East Siberian, and Northern regions, before anyone else, to start looking for the vitally necessary investment in the world market, and this investment will be offered only on condition of a transition to the strategy of regional free trade.

The analysis permits us to conclude that the objective preconditions for economic sovereignty are minimal for five Russian regions in the Central Zone and South of

European Russia—the Northwestern, Central, Volga-Vyatka, Central Chernozem, and North Caucasian regions. These regions have the greatest interest in preserving the integrity of the Russian economic space, because otherwise they are doomed to the strategy of regional autarky with its disastrous economic and social consequences.

The Ural, West Siberian, and Volga regions, who receive some economic benefit from possible realization of the strategy of regional free trade, have the objective preconditions for economic, and therefore also political, sovereignty. But vigorous implementation of a policy of achieving sovereignty will have negative social consequences in these regions. These regions will therefore be characterized by a "smoldering sovereignty" that is ready to flare up in "bright flames" every time there is a general deterioration of the socioeconomic situation in the country, because against this background the costs of the policy of achieving sovereignty will not be so notable, while the economic benefit will be particularly tangible.

Given preservation of the current situation in Russia, realization of the strategy of regional free trade, that is following a policy of economic sovereignty as a minimum, will, in our opinion, be the only possible way for the Northern, East Siberian, and especially the Far Eastern regions to survive. They have all the essential preconditions—economic, social, and geographic—to implement this strategy. This means that it will not be held up by political considerations.

The Path to Concord and Unity

How can the disintegration of Russia be avoided? In looking for a way out of the situation that has developed we should consider first the real, historically established characteristics of the Russian economy.

The objective economic foundation of the equality of the different regions within Russia is interdependence and mutual complementarity in the framework of a unified reproduction process that is weakly linked with the world market. It presupposes equality of political and economic rights, conditions, and accountability of the different Russian regions within the framework of a single country. But the market to which the reforms being carried out in Russia is oriented never does anything but intensify the territorial differentiation of economic, and accordingly also political, space; in principle it cannot ensure political and economic "equality among subjects who are different." Therefore the political equality of subjects of the Federation which is proclaimed in the new Russian Constitution, not reinforced by economic equality among the regions, will in fact be illusory, and therefore federalism in Russia will be unstable and ineffective.

To overcome the contradiction between good political intentions and objective economic reality we must forego the orthodox principles of market fundamentalism, base ourselves on an understanding of the actual characteristics of Russian economic space, and prevent

the transformation of the profound, historically established differences among the Russian regions into insoluble political conflicts among the corresponding subjects of the Russian Federation. While creating the necessary conditions for democratization of the political and economic life of Russia its economic system must differ in that the state should play a fundamentally greater economic role. In the specific situation of contemporary Russian reality this can be realized under the conception of inter-regional institutionalism. It presumes that state regulation of Russia's economic space in the interests of all Russian society is not limited to just budget-finance and credit aspects, but actively employs the methods of planned regulation. It is used to implement equal strategic roles for economically different but politically equal, in decision-making under the Constitution, subjects of the Federation in shaping, jointly with federal organs of state power, a unified system of basic socio-economic goals of agreed-upon development of Russia's unified economic space in the interests of all its regions and establishing national economic, intersectorial, and inter-regional proportions in the Russian economy appropriate to these goals. Within the framework of this federal strategy the state institutions of the subjects of the Federation must work jointly to perform the coordinating function of ensuring purposeful agreement on direct contract links between suppliers and consumers of output in the different regions. The appearance of independently cooperating subjects of the Federation who are managing collectively in the Russian economic space, and bear mutual accountability for the results of their economic activity, and their coordinated joint activity toward planned regulation of the Russian economy make it possible to ensure equal rights, equal conditions, and equal accountability to enterprises located in significantly different Russian regions. In this way federal-regional planned regulation in the interests of the entire society is a means of realizing the principle of "equality among equals" not only in relation to the regions, but also in relation to all Russian enterprises.

With the functioning of such a system of economic activity the heterogeneity of the Russian economic space and the interdependence and mutual complementarity of its regions become crucial, objective preconditions for the integrity of Russia and create conditions for the political equality of the economically different subjects of the Federation. The country's political system, built on the foundation of such an economic system, will ensure a stable state arrangement for the new Russia and guarantee the unity of its economic space.

Yearly Report on Consumer Rights Ordered

944F0557A Moscow ROSSIYSKAYA GAZETA
in Russian 9 Apr 94 p 4

[Unattributed article: "Procedure for Preparing and Disseminating the Annual State Report on Questions of Consumer Rights Protection"]

[Text]

1. The annual state report on questions of consumer rights protection (henceforth referred to as the report) is an official document prepared for purposes of providing the organs of state power and the population of Russia with information on the state of affairs in the field of consumer rights protection.

The report serves as the basis for defining the priority directions of activity by organs of executive power on consumer rights protection, as well as for developing legislative measures for ensuring these rights.

2. The report utilizes official data of state statistics and accounting, as well as analytical developments, including predictions and recommendations of interested ministries, departments and organizations of the Russian Federation, along with other information.

Materials on the state of affairs in the field of consumer rights protection in the republics, krais, oblasts, the cities of Moscow and St. Petersburg, and the autonomous oblasts are used in preparing the report, as well as the results of scientific studies and information of social organizations associated with the evaluation of the protection of these rights.

3. The report is prepared by the Russian Federation State Committee on Anti-Monopoly Policy and Support of the New Economic Structures with participation of the ministries and departments of the Russian Federation and the organs of executive power of Russian Federation subjects, which submit the necessary materials for this purpose based on the methodological recommendations of the Russian Federation State Committee on Anti-Monopoly Policy and Support of the New Economic Structures. The terms for presenting the materials are determined by the Russian Federation State Committee on Anti-Monopoly Policy and Support of the New Economic Structures.
4. The Russian Federation ministries and departments, the agencies of executive power of Russian Federation subjects and the public organizations bear the responsibility for the objectivity, completeness and quality of the information.
5. After approval of the report by the Russian Federation State Committee on Anti-Monopoly Policy and Support of the New Economic Structures with the participation of interested ministries and departments, each year prior to 1 July, the report is submitted to the Russian Federation Government so that the appropriate decision on it may be adopted.

Accompanying the report are the proposals for improving consumer rights protection, which have been prepared in accordance with the established procedure.

6. The Russian Federation State Committee on Anti-Monopoly Policy and Support of the New Economic Structures provides for dissemination of the report.

7. The Russian Federation State Committee on Anti-Monopoly Policy and Support of the New Economic Structures, in cooperation with the Russian Federation Ministry of Finance, defines the order and sources of financing of the expenditures associated with the preparation and dissemination of the report.

Decree on Payment of State Debt

944F0522D Moscow ROSSIYSKAYA GAZETA
in Russian 31 Mar 94 p 1

[Decree No. 237 of the Russian Federation Government: "On the Repayment During the First Half of 1994 of Part of the Federal Budget Debt to Enterprises and Organizations That Is Based on the Results of Budget Execution for 1993 and the First Quarter of 1994"; promulgated 26 March 1994]

[Text] As a supplement to the Russian Federation Government's 15 March 1994 Decree No. 201 "On the Repayment During the First Quarter of 1994 of Part of the Federal Budget Debt to Individual Enterprises and Organizations in the Defense, Agroindustrial and Fuel and Energy Complexes and Science That Is Based on the Results of Budget Execution for 1993," and for the purposes of the repayment during the first half of 1994 of part of the federal budget debt to enterprises and organizations, the Russian Federation Government decrees:

The Russian Federation Ministry of Finance, with the consent of the Russian Federation State Tax Service, is to carry out during the first half of 1994 the mutual repayment of amounts subject to payment as federal budget revenues and of amounts of that budget's debt connected with the financing in 1993 and the first quarter of 1994 of enterprises and organizations in individual branches of the economy that are not mentioned in the Russian Federation Government's 15 March 1994 Decree No. 201.

[Signed] Chairman of the Russian Federation Government V. Chernomyrdin

Shokhin's Appointment Seen as Attempt To Change Lobbyists' Dominance

944E0652A Moscow SEGODNYA in Russian
29 Mar 94 p 1

[Article by Mikhail Leontyev: "Intermediate Vice Premier"]

[Text] Aleksandr Shokhin's appointment to the post of vice premier can hardly introduce significant changes in the model, according to which the present unique Russian Government is being formed. Most likely, it can be regarded as an intermediate step in the correction of the balance of power inside the governing assembly of sectorial lobbyists.

Mr. Shokhin has recently spoken a great deal about transforming the Ministry of Economics into the "head-quarters of reforms." However, his appointment to the vacant post of chief head of former reform is unlikely. It

is not difficult to note that, as a result of changes in the political situation, Aleksandr Shokhin, one of the leaders of the temporary opposition election bloc PRES [Partiya Rossiyskogo Yedinstva i Soglasiya—Party of Russian Unity and Accord], has become one of the most persistent translators of the ideas of "selective structural policy" through moderate emission pumping. At the same time, Mr. Shokhin uses formulations of the type of "stagnation trap," in which he himself, according to experts' opinion, in no way can believe.

Perhaps Mr. Shokhin has already demonstrated that it is impossible to judge his present views by his past views and actions. However, the miraculous transformation of a "monetarist" into a banal "trapper" is not a sufficient basis for holding a key post in the government.

The point is that the existing balance of forces between representatives of sectorial lobbies was disrupted quite unexpectedly for participants in the high assembly. It was assumed that the premier quite efficiently lobbied for the fuel and energy complex, Mr. Soskovets not without the help of the Ministry of Defense lobbied for industry, and Comrade Zaveryukha extorted financing for his eternally hungry agrarians. And everyone was more or less satisfied.

The unforeseen happened. Serious people, in response to the "vile" monetarist reform, have fostered a system of nonpayments, which proceeds from the fact that in Russia everything, except goods, is for sale. Mild demand restrictions concentrated on the budget are the basis for such a system, which makes it possible "to unload" unsalable goods; speaking in Russian, to scorn effective demand if the budget pays for everything.

However, it turned out that not for everything. Quite unexpectedly Viktor Chernomyrdin, having broken away somewhat from the lobbyist team, began to exert pressure from above on the desired "mild restrictions." Problems not envisaged by participants arose inside the government. On the other hand, industrial lobbyists formally gained unique positions in Russian upper circles: the Ministry of Defense got hold of talented Andrey Kokoshin, chairman of the Duma Committee on Economic Reform, Sergey Glazyev was and remains an ardent advocate of goal-oriented financing for scientific research and experimental design work (it is clear to anyone where this work is performed in our country), and, in the end, metallurgist Oleg Soskovets, the only first vice premier, expanded his potential lobbyist interests to the scale of the domestic industry as a whole, including the military-industrial complex, which considers itself infringed upon. This was manifested in Mr. Soskovets' latest attack on the positions of the fuel and energy complex. Since agrarians do not need a special additional support owing to the parasitic way of life characteristic of them and the premier himself tries to distance himself as far as possible from the fuel and energy complex that gave rise to him, it would be natural to restore the balance in the government through the appointment, to counterbalance Soskovets, of a person from the fuel and energy complex, which, taking into consideration the nature of the government and the real

role of the fuel and energy complex in the Russian economy, is more than natural. Mr. Shokhin in no way is suitable for this role, because no one needs a second Soskovets in the government. Even Mr. Soskovets himself.

Most likely, however, for tactical considerations the premier is not yet ready to take this natural step, fearing accusations of corporative engagement. Therefore, obviously, with Aleksandr Shokhin's appointment an intermediate action was carried out. With regard to the personality of the reappointed vice-premier himself, Mr. Shokhin has recently uttered very good words about Russia and the foreign policy it needs and very bad words about his former colleagues, Messrs. Gaydar and Fedorov. Aleksandr Nikolayevich's excessive zeal in flinging mud at his former partner indicates that Mr. Shokhin is a vulnerable and, in his own way, a decent person. Sensing the extreme awkwardness of the situation, he tries to erect, first of all, for himself some structures, which enable him to consider himself such a person. The concentration in the ministry entrusted to him of people from the Gaydar team, whom Mr. Shokhin cannot permit himself not to shelter, confirms this. It only remains to add that a reverse transformation of a "trapper" into a normal person during the next turn of the wind is extremely difficult. This is already an irreversible process, like the loss of professional virginity.

Entrepreneur Describes Bureaucratic Obstacles to His Success

944E0655A Moscow *RABOCHAYA TRIBUNA*
in Russian 1 Apr 94 p 3

[Article by Anatoliy Grukalenko: "I Am Chasing After a Locomotive, Chained to it by Handcuffs"; foreword by Eduard Mokhorov, correspondent of *RABOCHAYA TRIBUNA*, Bryansk]

[Text] Almost 7 years ago our newspaper (at that time *SOTSIALISTICHESKAYA INDUSTRIYA*) published "Notes of a Businessman." Anatoliy Nikolayevich Grukalenko, a young entrepreneur, was their author. At that time (1987) the concept of "private initiative" was almost abusive. Grukalenko's frank account of some secrets of the Uyut Cooperative's commercial activity produced a shock in society.

Fellow-citizens brought up in the spirit of their times saw in the activity of the beginner cooperative owner an encroachment on the economic and moral principles of socialism and an insult to public morality. Grukalenko, I want to remind readers of this, bought at the state price a large batch of sports shirts, which were lying on the counter, improved the unmarketable goods, putting a striking design on them, and very quickly, without any trouble, sold all the items on the kolkhoz market—at a price triple that of the state.

Anatoliy Nikolayevich received a verdict from enraged readers: He is a speculator and a swindler. One high-ranking party official was outraged more than others. True, by the irony of fate this custodian of principles subsequently became an exchange dealer.

After "Notes of a Businessman" A. Grukalenko appeared in the pages of *RABOCHAYA TRIBUNA* more than once. I read his notes and involuntarily compare many of his plans, thoughts, and hopes of those days with today. How naive all of us were in the sacred belief in the force of private initiative during those first years of Gorbachev's perestroika! And how many honest, noble impulses were buried during the subsequent era of cynical political mongering, money-grubbing, and large-scale shock therapy.

Having made money on sports shirts, the cooperative owner gave the entire profit, down to the last kopeck, for charitable purposes. Grukalenko conducted the experiment with sports shirts by no means for the sake of personal gain, but only in order to force the local sewing factory, which, according to the plan, produced on a large-scale goods that no one needed, to operate differently.

I confess that today "Notes of a Businessman" evoke in me sometimes nostalgic feelings about the lost illusions and sometimes also a smile. I recall the enthusiasm with which he dealt with the problem of the processing of dumped industrial waste. He established a semiprimitive enterprise and engaged in the manufacture of jewelry and all sorts of other trinkets. He promised readers of *RABOCHAYA TRIBUNA*: "In a few years we will fill counters with goods that are not even available in the West."

A very self-confident young man—you and I would say today. In fact, in 1987 the beginner entrepreneur boldly undertook many risky projects—he believed in his star. He did not want to know anything about Marxist initial capital accumulation. One day in the morning he came out to the street. He saw under his feet a kopeck dropped by someone. He picked it up and it dawned upon him: "Here is my capital. I will go to the bank, open my personal account, and this kopeck will be my first deposit. You are laughing? Never mind, in 2 or 3 years this kopeck will grow into millions. I will have my own business and will open my own factories and stores. I will become a rich man."

I carefully followed our debutant entrepreneur. Yes, according to many external criteria, Anatoliy Nikolayevich turned out to be a successful businessman. He tested himself in many fields. He was one of the first to become a broker on the commodity-stock exchange. Then he was co-founder of almost the first provincial private bank in the country. Together with other enthusiasts he established the All-Russian Union of Cooperative Owners and then the Congress of Business Circles and the Union of Entrepreneurs. He founded a network

of small enterprises. He participated in the establishment of the Niva-Kapital Check Investment Fund.

The kopeck once found on the street grew into rubles and turned into quite a sizable initial capital. Then there was privatization—breath-taking opportunities for an enterprising person. Grukalenko decided not to miss his chance. Having overtaken his competitors, he leased a barbershop with the right of a subsequent buyout. He acquired rights to a bakery. He leased a store temporarily and opened his own office. Finally, he got the opportunity to become the owner of a large restaurant.

But today, not without a sigh, Grukalenko says: "Then people not only listened to our opinion, but also took it into consideration."

An entire era lies between "then" and "today." Russia got to know inflation and economic ruin. Millions of people were left out in the cold and lost their secure future, their savings, and sometimes even their homeland.

It seems, however, that the universal impoverishment has not affected our hero. He looks at the future boldly and confidently and his accumulations, being constantly in motion according to the well-known formula "commodity-money-commodity," are not devalued in the abyss of inflation, but, conversely, increase. According to all criteria, Grukalenko is precisely the person on whom reformer Gaydar counted and whom he cherished in words. Yes, incidentally, Anatoliy Nikolayevich established the Foundation for Support for Reforms and the President in his native Bryansk approximately 1 year ago.

We have not seen each other for a long time. Not only our paths, but also our views of many things in this life, have parted. Therefore, I was somewhat surprised when Grukalenko himself telephoned me a few days ago.

"I would like to tell you a little about my life," he said straight to the point.

We met. In my opinion, his story will be interesting to readers of *RABOCHAYA TRIBUNA*. I think that it will also be of interest to politicians who failed, but understood nothing.

In 1992, when privatization began, I decided to invest my savings in a barbershop and a bakery. Having paid a sizable sum, I acquired the right to lease these facilities. The starting price of the bakery was 23,000 rubles. However, it cost me 100-fold more, because there were many competitors at the auction. And so, I bought a scale, a counter, shelves, and a signboard for 2.2 million rubles. The store itself did not become my property, but the right to trade there was sold to me.

Then an opportunity arose to acquire a restaurant not on a leasing basis, but for my ownership. This cost me more than 3 million rubles.

A restaurant is a large enterprise. We service about 2,000 children with school lunches. There are also ordinary guests. However, in order that this public catering establishment may bring not only losses, but also income, I decided to open an evening coffee house there.

It seemed to me that, having finally become a real estate owner, I would acquire complete independence and would have an interesting and profitable business. I recall that in 1987 Artem Tarasov hurled a popular phrase, which the entire country repeated after him: "Our Soviet system has come to the point where I, as a cooperative owner, cannot be dismissed from my job even by the country's president."

I can confirm: According to the law, neither President Yeltsin nor the local governor can deprive me of the rights of an owner. Everything seems to be clear as far as the president is concerned. However, there are forces, which are not even under his control.

Alas, I did not become an independent owner with full rights, as this was assumed at one time. As soon as a well-to-do person acquires an enterprise for ownership, he himself immediately becomes the object of solicitations and often of persecution on the part of a large, well-organized, greedy corporation of officials. At all times this mob of inspecting, controlling, and supervising officials lived rather well and fed on facilities under state ownership. It became so intertwined with these facilities and got so accustomed to considering them almost its own personal profitable property that even under privatization conditions it did not intend to part with the unwritten rights and privileges.

Before me my restaurant functioned in very good order for more than 20 years, but only after it became private property, suddenly, it was discovered that as a facility it operated with gross deviations from existing rules. Almost on the first day I was told that, according to instructions of the sanitary-epidemiological inspectorate, fire safety, and tax and other services and according to decisions and instructions of municipal authorities, this public catering enterprise must be closed immediately. It turned out that partitions, windows, walls, and doors were not built properly. Electric wiring was not good enough and the roof was not made from the right material.

I, the owner, was very quickly convinced that an official from any department (there are a dozen such departments) at any moment and for any reason could issue an order to close my enterprise and even to alienate it as an object of ownership. I, as an owner and employer, could not even appeal the decision of a certain official in court. And if I tried to seek the truth, next time even more devastating, new fines would be imposed on me.

The sanitary epidemiologist's assistant makes a decision to close the restaurant. This lady acts according to the instruction. Previously, when the enterprise belonged to the state, for some reason she did not pay attention to this instruction. And it was of interest to no one that

during the stoppage of the enterprise closed owing to an official's arbitrary rule the owner incurred huge financial losses on the maintenance of the building and on municipal and other services. Having no income, he paid wages and taxes.

Following the first wave of inspectors the tax service pays a visit. It checks the activity of the enterprise during the previous year, when the restaurant was still municipal property. The previous director and accountant have long been dismissed and the new administration and owner are just beginning to get to the heart of the matter. However, no one is worried about this. In reports of more than 1 year's standing the official detects a mistake in the writing off of transport costs and immediately a fine of 600,000 rubles is imposed on me. I try to explain that I have nothing to do with the activity of the previous administration, because 1 year ago I was not the owner of this property. The inspector goes into indescribable raptures: "Ah, it turns out that you are a private enterprise. Then, in addition to the fine, you will have to pay another 200,000."

After several days a new commission came and discovered that not long before privatization restaurant workers received a bonus of 3,000 rubles each, but deductions into the pension fund were not made from this sum. A fine of half a million rubles was imposed on me, the owner. After a few days I was invited to the rayon administrative commission. I went with the hope: They will understand and will revoke the unjust decision. However, they summoned me and the restaurant director for a totally different purpose. Both of us were handed fine notices on account of the same sanitary state. I and the director were fined the equivalent of 20 salaries, that is, 290,000 each. "But I have already been fined half a million," I tried to explain myself. In response I heard: "The oblast authority fined you, but the rayon budget must also be replenished."

In the first 2 months alone the restaurant brought me fines amounting to 3 million. Not to mention the fact that I bought a hopelessly unprofitable facility and realized that at first I would have to invest a great deal of money in this production unit with the income obtained from other enterprises. I planned to make major repairs and to renovate equipment and the interior. But the excessive, at times openly fiscal, fines wrecked all plans.

I realize that both the rayon and the city budget are supported by these very fines and without these proceeds there will be nothing with which to pay wages and bonuses to the officials themselves. In Russia their apparatus is growing to the size of a malignant tumor. Previously, deductions from the profit of plants and factories were the sources of replenishment of the budget. Today, however, state and privatized enterprises curtail production. Consequently, the private entrepreneur can be the source of replenishment of the budget. And so, they begin to rob our brother blind.

Our ruin is of absolutely no interest to anyone. My accounts are in the records. For the second month I cannot pay wages to my workers. However, this, too, is of no interest to officials.

In addition to the army of supervising bureaucrats, we are being overpowered by municipal service enterprises, as well as all kinds of firms and offices, without the knowledge of which the entrepreneur does not dare to take a step. These are monopolists setting enslaving prices of services, which at times the real estate owner, possibly, did not suspect before. For example, one enterprise for the entire city has the right to service cash registers and to issue a certificate concerning their installation. This sphere of activity is a gold mine. If a bakery does not have a cash register, the first tax inspector will impose a fine of 3 million on the owner. Taking advantage of the opportunity, monopolists inflate prices of cash registers to 600,000 rubles. Another several hundreds of thousands must be paid for a certificate for the installation of a register. They will not even come to make the installation for you, but you will have to pay in full for the certificate. Whereas previously my barber-shop brought at least some income, now it must work for half a year for the cash register alone.

Of course, monopolists live in grand style at our expense. Their workers receive bigger salaries than those of ministers and almost every month make "business trips" to foreign health resorts. But I, in order to make both ends meet, am beginning to reduce work places and to lower people's wages. In my restaurant people earn only from 16,000 to 37,000. Moreover, my personal income, despite the fact that I work 14 to 18 hours daily, have no days off, and have not had a leave since 1987, hardly totals 00,000 [as published] rubles. If we are to believe official statistics, this is much less than the average wages throughout Russia.

At one time, having embarked on private entrepreneurship, I set for myself the goal of becoming a proprietor, an owner independent of the state and society. Was it realized? Formally, the goal, seemingly has been reached, but, in fact, I do not feel that I am an owner or a free person.

Seemingly, privatization has been carried out in our country. Seemingly, private enterprise has finally appeared. In our country, however, the official bureaucratic state apparatus, not people from the "middle" class, who with their labor and enterprise have accumulated and saved up some capital, has become the true, real proprietor and owner of everything that is called real estate. As a rule, officials' actions are not subject to an appeal in court.

Not only the state budget is being replenished at the expense of such business people like I. We might as well admit, everyone wants to live and officials go away from inspections by no means with empty bags. This is customary. From the experience of many entrepreneurs, my acquaintances, I know: There are many forms of hidden

extortion. Everything seems like some ritual sanctified by the traditions of Russian hospitality. Victims do not protest requisitions. They are even grateful to those that take them. However, the takers themselves, in order that they may not be suspected of self-interest, having taken, drunk, eaten, and carried them away, are not ashamed to write a negative report and to exact a fine: The pike is in the sea in order to keep the crucian awake.

The law reads that the entrepreneur himself is responsible for his activity and, consequently, has the right to independently establish the procedure and conditions of work at his enterprise. However, here, too, I, as the owner, am tied hand and foot by instructions, orders, and the official's personal benevolence and mood.

In order to open an evening coffee house in my restaurant, I wasted a month on all kinds of formal agreements. As it turned out, officials have the right to impose their terms on me: How I should work, what staff I should have, and in what I can and cannot trade. All the rules of the game, including the recording and reporting procedure, change almost every week.

Next, let us take the commitment to lessees, which guarantees the right to buy out an enterprise within 1 year. A year passed, but instructions about the buyout procedure did not arrive. In the meantime rents rose significantly. Entrepreneurs, not through their fault, cannot become owners of leased enterprises. It is advantageous for officials to maltreat us. We, nominal owners, are in permanent bondage to them.

Nor did the party nomenklatura, which during these stormy years displayed a surprising capacity for mimicry, lose its positions. As soon as the party lost its power, they appeared at the exchange. When the exchange ceased to be a source of income, everyone moved to banks, to the tax police, to the pension fund, and to other soft jobs.

I look back at past years. I did not take a single kopeck from the state, but conscientiously replenished the treasury, paying taxes. I have created about 50 work places and each of my workers supports a pensioner. Moreover, together we support more than one highly paid official, who pokes fun at us.

However, I am tired of fighting a system, which has quickly established itself on the wreckage of the old society, has already managed to utterly ruin the people, and now is also getting to me. There is one prospect before me: I will reduce work places and am already beginning to curtail business. At any moment I can be declared bankrupt and everything that I have acquired can be taken away from me.

Will other stronger and more prosperous people replace me? Yes, there are such people. I know that these people are not burdened by my concerns about how to make ends meet. Those that take away abroad tons and cubic meters of the riches of Russian land do not know my problems. Perhaps they are Russia's true masters?

Government Considers Financial Support for Agriculture

Size of Allotment Debated

944K1048A Moscow KOMMERSANT-DAILY
in Russian 16 Mar 94 p 3

[Article by Nikolay Podlipskiy: "The Spring Sowing Is Beginning in the White House"]

[Text] The allocation of money to Russian agriculture has always been a political question and not an economic one. However, as the results of the Commission for Operational Management meeting held yesterday testify, the poor coordination of the work of the appropriate departments is leading to even those decisions, whose adoption served as an occasion for government resignations, not being implemented.

The government's examination of questions concerning preparations for the spring sowing is just as traditional and inevitable as the greeting of the new year. The ritual during the examination of these questions has not changed for years—the representatives of the agrarians complain about the acute shortage of fuel (this year, almost twofold less than last year has been prepared), tractors (62,000 fewer), seeds, and—what is the main thing—money. In accordance with the government's decree adopted in January for financing Russian agriculture, approximately 5 trillion rubles should be allotted for the spring sowing. However, only about 800 billion rubles had been provided by 1 March. In connection with this, the meeting participants recalled last year with great warmth. Then, the majority of fuel and mineral fertilizer deliveries were carried out without any mandatory prepayments by order of the prime minister (as a result of this, the agrarians still owe mineral fertilizer producers 100 billion rubles). Nevertheless, in the words of Vice Premier Aleksandr Zaveryukh, it is possible that the second part of the money—almost 1.3 trillion rubles—will begin to arrive in the accounts of the agrarians this week. Moreover, he expects the repayment of the debts of agroproduct consumers to amount to 2 trillion rubles; true, the hopes among the agrarians for its repayment are rather weak—probably because they themselves are not noted for strict financial discipline: Of the credits supplied last year, they returned only 25 percent (another 60 percent, or 1.5 trillion rubles of credits, was postponed to this year).

Yesterday, the members of the commission did not confine themselves only to "seasonal work": One can view the discussion of the Federal Energy Commission question as an element in the strategic planning of the government's activity. Traditionally, this is a weak spot in Viktor Chernomyrdin's Cabinet. Not only the fact that Russian industrialists consider the existing tariffs (the main subject of the Federal Energy Commission's activity) extremely high but also the fact that the inter-relationship mechanism between the Federal Economic Commission and the producers of electrical energy can be a model for developing a mechanism to regulate the activity of natural and state monopolies, in

general, explain the economic significance of this question. In this connection, the discussion about the commission's personnel composition (Aleksandr Shokhin was appointed chairman) and functions, which was begun by Yuriy Shafaranik, minister of fuel and energy, but immediately suppressed by the presiding Oleg Soskovets, is extremely symptomatic. Oleg Soskovets' desire to reduce the influence of the Ministry of Fuel and Energy on the decisions adopted by a state (and not public, as now) commission is completely justified—otherwise, the present situation in the pricing of electrical energy, where the interests of the power workers and not those of the industrialists have paramount importance, could be reproduced even with the new statute for the commission. Moreover, Shokhin, who is more loyal to the first vice-premier, along with developing a concept for controlling energy prices, "will not forget" the question of favorable rates for individual enterprises in metallurgy and transport.

The third question on the agenda of yesterday's meeting was increasing the volume of export quotas for 1994. For more details about this, see the article on this same page.

Money Required for Seeding Inputs

944K1048B Moscow ZEMLYA I LYUDI
in Russia No 12, 25 Mar 94 p 1

[Article by P. Shcherbakov: "The Sowing Is Approaching and the Reorganizers Again Have an Itch"]

[Text] Why do politicians and reformers of different stripes prefer to perplex the peasants and disrupt their fortunes exactly in the spring and, without fail, before the sowing? You will recall that both collectivization and the reforming of the kolkhozes and sovkhozes in 1992 were quite suited to those times. Seemingly, counting on the fact that the land would remain a strong umbilical cord, the peasant would go to the field just the same, summoned by a primordial instinct during the passionate springtime no matter what happened. Politics and the reformers' capers are not for him at this time. The analytical center of the Russian Federation president's administration recently prepared a memorandum on the final elimination of kolkhozes, sovkhozes and even newly established joint-stock companies before the start of the spring sowing. The memorandum was sent to all Russia's regions and, one must say, caused much commotion.

In response to this memorandum and also the campaign of lies and slander unleashed by the mass information media in regards to the Russian peasantry, which is being accused of almost all the economic misfortunes, the Agrarian Party of Russia faction in the State Duma issued a statement on 15 February. This document provides a well-grounded rebuff, in particular, to the leaders of the Russia's Choice union who think that the peasants are receiving excessive financial infusions from the state. In their opinion, it is this that is causing the present inflation.

However, let us nevertheless examine just how generously the state is helping the village. As is known, the Russian Federation Government's decree, which was adopted 23

February concerning the economic conditions for the functioning of the agroindustrial complex during 1994, allocates 5 trillion rubles during the first half of the year; during January-March, that is, during the spring sowing—only 1.3 trillion rubles. Meanwhile, specialists have calculated that rural commodity producers should spend 1.2 trillion rubles for fuel, lubricants and mineral fertilizer alone prior to the sowing. This leaves only 100 billion for everything else. However, 24 percent of the tractors, 27 percent of the plows and 28 percent of the sowing machines have still not been repaired. Moreover, in the words of V. Shcherbak, the Russian Federation's first deputy minister for agriculture and food, even if all the equipment manages to be put into the drive, the present pool of machinery will not cope with the sowing.

This means new equipment is required. It is standing ready in factory yards. You see, however, one must pay for it. No one gives the peasant anything on credit, you know. They only permit themselves to take from him and not pay for the products. For example, the state still owes the rural commodity producers 600 billion rubles for the grain delivered in the fall. Let us point out that no one is planning to adjust the fall calculation for inflation. Meanwhile, prices grew threefold-fourfold during this time. Incidentally, credits are being issued to the village at 213 percent interest according to that same government decree. Thus, who is subsidizing whom: the state—the village, or the village—the state? We call your attention to the fact that March is already ending and a considerable portion of the allocated sums has not gotten to the village.

Last week, a meeting of the Russian Federation Government's Commission for Operational Matters was held under the chairmanship of O. Soskovets, first deputy of the government, during which urgent measures to prepare for and carry out the spring sowing were discussed. During it, Vice-Premier A. Zaveryukh said right out that a portion of the monetary and preferential credits allocated to the village are walking about Moscow, replenishing the super-incomes of commercial banks and that the Russian Federation's Ministry of Finance "cannot" catch anyone.

Incidentally, the presentations of the directors of the ministries, departments and enterprises and of the bankers cited quite a few cases of irresponsibility and clear procrastination. However, none of them mentioned the specific names of guilty persons or hinted at where they could be found. O. Soskovets, who presided, repeatedly interrupted the speakers with a demand to personify the criticism; however, everyone with surprising stubbornness recouped themselves using nameless "cases."

When closing the meeting, O. Soskovets completely rejected the prepared draft of the decree and demanded that it be completely done over again within two days, clearly formulating an effective plan of action for all ministries and departments connected with the sowing and that control over the document's implementation, especially the part on personal responsibility for allocating the credits as designated and on time, be toughened.

Spring Seeding Requires More Input, Skillful Farming

Drop In Industrial Inputs, Impact On Seeding Noted

944K1049A Moscow FINANSOVYYE IZVESTIYA
in Russian No 10, 10-16 Mar 94

[Article by Andrey Sizov: "Agriculture Can Only Rely Upon The Weather"]

[Text] By order of FINANSOVYYE IZVESTIYA [Financial News], Andrey Sizov analyzes the production of industrial products for agriculture.

In 1993 there was an acceleration in the rate of reduction in the production of industrial products for agriculture. This applied to the production of mineral fertilizer and plant protection agents as well as to a majority of the various types of agricultural equipment. Moreover, the decline in these branches has continued since the middle of the 1980's (see Table 1).

Table 1. Russia: Production of Principal Types of Industrial Products for Agriculture

	1985	1990	1991	1992	1993	1992 in % of 1993	1993 in % of 1992
Mineral fertilizer total*, in millions of tonnes	17.3	16.0	15.0	12.3	9.6	82	78
Nitrogen fertilizer	8.0	7.2	6.7	5.8	4.7	87	81
Phosphate fertilizer	4.4	4.9	4.3	3.0	2.3	70	75
Potassium fertilizer	4.9	3.8	4.1	3.5	2.7	85	77
Plant protective agents*, in thousands of tonnes	215	111	87.4	63.4	38.7	75	59
Tractors, thousands	261	214	178	137	89	77	65
Combines, thousands, grain-harvesting	112	65.7	55.4	42.2	33	76	78
Forage-harvesting	7.6	10.1	7.4	8.5	2.4	115	28
Potato-harvesting	7.4	6.4	5.0	3.2	0.55	64	17
Flax-harvesting	3.8	3.4	2.7	1.1	0.05	41	5

*In a calculation for 100% nutrients

Agricultural machine building: a crisis of the monopolists. Since autumn of last year, the production of agricultural equipment has declined rapidly, mainly as a result of a sharp decrease in demand. Many farms, as a result of untimely state payments for products delivered, have been forced to decline purchases of new agricultural machines. In particular, this has had an effect on enterprises which occupy a monopolistic position in agricultural machine building and which produce expensive and low quality products. Thus, in December and January the production of flax harvesting combines was halted completely at the Bezhetskselmash Plant, Russia's only producer of these machines. In December of last year, not one potato-harvesting combine was produced by the Ryazan Combine Plant, the only producer of such machines. Rostselmash and the Kirov Plant are tolerating an increasing number of stoppages in their operations. As a result, only 14 grain combines and 2,116 tractors were produced in January of this year, compared to 2,500 and 9,300 respectively in January 1993.

Russia is commencing its spring field operations with the smallest pool of agricultural machines and the lowest level of agricultural equipment readiness since 1986. Notwithstanding the sharp decline in the production and

sale of agricultural equipment, the number of repaired grain combines and tractors fell last year by 40-41 percent and potato-harvesting combines—by almost two thirds, since the production of spare parts is also declining rapidly. As a result, there has been an increase in the rate at which the pool of agricultural machines is declining in size. Overall, during the period from 1986 to 1993, the tractor pool decreased by 185,000 units, or by 13 percent, and that for grain combines—by 145,000 (by 29 percent). Moreover, according to data supplied by Roskomstat, by early February one out of every four tractors and trucks and one third of the plows, sowing machines and cultivators were in a state of disrepair, compared to 15-20 percent on this same date at the beginning of the 1990's.

Mineral fertilizer: the acquisition of mineral fertilizer in agriculture is still declining more rapidly than its production. This is associated with the continuing and relatively high level of nitrogen and potassium fertilizer exports over the past two years. As a result, the deliveries to and accordingly the consumption by farms of mineral fertilizer are declining more rapidly than its production. According to preliminary data, from 1991 to 1993 the consumption of mineral fertilizer per hectare of arable land declined by a factor of 2.5 (see Table 2).

Table 2. Russia: Consumption of Mineral Fertilizer, kilograms per hectare of arable land

	1985	1990	1991	1992	1993 (estimate)	1992 in % of 1991	1993 in % of 1992
Total*	96.0	83.4	79.7	44.2	32.0	56	72
Nitrogen	40.2	32.5	31.6	21.0	17.6	66	84
Phosphate	30.4	33.4	29.1	12.4	8.2	43	66
Potassium	25.4	17.5	19.0	10.8	6.0	59	55

*In a calculation for 100% nutrients

The decline in mineral fertilizer consumption is combined with reductions in applications of organic fertilizer (a decline of 15 percent in 1993) and lime-containing materials (down 18 percent). This is lower by a factor of almost 2.5 than the consumption level called for in the state all-round program for improving soil fertility in Russia, as adopted in late 1992.

The significance for agricultural production in 1994: a reduction in the areas under crops and possibly a further reduction in cropping power. It is clear that under the conditions imposed by an increasing shortage of logistical resources this spring, it may not be possible to compensate for the undersowing of winter crops, which amounted to 20 percent, including winter wheat—12 percent. Moreover, the increasing shortage of agricultural machines and their low level of readiness for field work, combined with a considerable deterioration in farm support in the form of fuel and lubricating materials, will obviously produce a situation in which the areas set aside for spring crops will also decline compared to last year.

The hope that the reduction in crop areas may be partially compensated by an increase in cropping power is extremely unreal. The rapid reduction in mineral and organic fertilizer consumption will lead to a decline in soil fertility. In point of fact, agricultural production in recent years has been carried out to the detriment of the land's natural potential and in the absence of land restoration. Agricultural production is becoming more vulnerable to changing weather conditions and more unstable and difficult to forecast.

Fertilizer Application Advice for Best Effect

944K1049B Moscow ZEMLYA I LYUDI in Russian
No 12, 25 Mar 94 p 3

[Article by A. Postnikov, corresponding member of Rosselkhozakademiya and A. Kondratenko, chief specialist of Glavkhimzashchita, Minselkhozprod of Russia: "Tactics in the Use of Fertilizer"]

[Text] Snow in Yevdokiya (14 March)—for a fine harvest. National signs undergo the test of time and, as a rule, are justified. Truly, the March snow adds moisture to the ground and ensures that the plants have moisture during the first months of growth. It is unfortunate that full use will not be made of this gift of nature: a nutrient shortage in the soil over a period of three years has defined the existence of the crops for six months.

The situation could be saved by mineral fertilizer, but the amount accumulated for the spring field work is less by a factor of eight than that which the farms had during the so-called stagnant years. In late February, the government of Russia allocated special purpose credits and 30-percent subsidies for the acquisition of mineral fertilizer and yet it is doubtful if this will save the situation.

Therefore, special importance is being attached to managing our fertilizer resources in an efficient manner so as to realize a maximum return from them. The undersowing of winter crops, unfertilized fallow fields and late fall plowed fields and a large volume of spring plowing work—all of these factors demand the introduction of corrections into the plans for fertilizer use in 1994.

Winter grain crops. Since autumn, many farms have not had an opportunity to enrich the fields with nutrients. Even farms in Krasnodar Kray sowed more than one half of their winter crops without fertilizer. The moisture supplies in the 1-meter layer of soil are higher than normal in practically all areas and this will ensure normal plant development during the first two months of growth. But even the small supplies of nitrogen have been washed out of the surface soil by the autumn rainfall and will be unavailable for plant nourishment in the early spring.

According to data supplied by the agrochemical service, the winter grain crops in practically all areas are in need of a nitrogen fertilizer top dressing. The planning and research centers of the agrochemical service, at the request of the farms and private farmers, are conducting plant diagnoses and the plant protection stations—phyto-sanitary inspections of the crops and issuing recommendations for the use of fertilizer and pesticides.

Weak winter crops, and there are many of them in the southern regions, should be given a top dressing using higher dosages of nitrogen—45-60 kilograms per hectare. This will intensify the tillering and increase the plant stand density. On the left bank of the Volga, where a summer drought is possible, the nitrogen dosages should ideally be reduced to 20 kilograms per hectare.

Intensive crops require a root dressing using nitrogen and complex fertilizers, with application to the ground being carried out using grain drills. The tilling of mature soil should be carried out along the drill rows. In the process, the plow itself will find the inter-row spacing—the top dressing is combined with loosening of the soil.

We recommend the extensive use of tank mixtures of fertilizers, pesticides and plant growth regulators. In addition to making it possible to utilize aviation and ground equipment more effectively, this will also lower expenditures for toxic chemicals per unit of area so treated. In the absence of fungicides for preventing fungus diseases, solutions of potassium chloride and ZhKU can also be used in the tank mixtures. This simple agrotechnical method will also make it possible to strengthen the straw and to reduce lodging to a certain degree.

A high probability of lodging in winter wheat and rye is forecast for the central chernozem region, Ulyanovsk and Orenburg oblasts and for Tataria and Bashkiria. The rayon associations of "Selkhozshimiya" must find supplies of campozan and tura. According to our data, they are available in various areas.

Last year, a top dressing was applied to practically all of the winter crops in the Tatarstan and Mariy El republics, in Krasnodar Kray and in Belgorod, Ulyanovsk, Ryazan, Tversk and a number of other oblasts. Despite equal opportunities, less than one half of the crops in Rostov, Samara, Penza and Nizhegorod oblasts were given a top dressing and this can only be explained by the unsatisfactory work performed by specialists attached to the agronomic and agrochemical service.

Field work in southern Russia is being carried out at a maximum tempo. More than one half of the crops in the Kuban region have already been given a top dressing. The first aircraft have appeared above the fields in the central chernozem and central Volga regions. More than 600 aircraft have been prepared for applying top dressings. However, agreements for carrying out aviation chemical work have been concluded for only two million hectares, or one fourth of the requirement.

The Belgorod "Selkhozshimiya" Association, for example, reached an agreement with supplier plants for a shipment of ammonium nitrate with no pre-payment for proper storage. As a result, the oblast's farms were fully supplied with nitrogen for applying a top dressing to their winter grains and perennial grasses. The possibility exists in many regions of exchanging agricultural products for fertilizer and pesticides.

Certainly, given the present price for grain, fertilizer and aviation chemical work, only an increase in yield can compensate for the expenses incurred. But it can be stated with confidence that each ruble invested in a top dressing produces a return of two rubles' worth of additional product.

Spring crops. A great amount of attention should be devoted to the start-up fertilizer used in drill rows during sowing. This method can produce a maximum effect with minimal expenditures. In the case of spring plowing, and the volumes of such work have increased considerably, the plants will experience a shortage of nitrogen in the spring, especially when a large amount of culmiferous residue is added to the soil. Thus it is best to

add all round fertilizer together with the seed—each granule containing nitrogen and phosphorus. A mandatory agrotechnical rule prevails for the Volga region, the southern Ural area and Siberia—drill row fertilization, with phosphorus, of spring wheat plantings on fallow fields. Phosphorus fertilizer helps the plants to take root better and, by accelerating growth, enables them to withstand the effects of drought conditions.

In the spring, an attempt should be made to avoid extensive fertilizer applications with light tilling, since such placement leads to vigorous weed growth, with no materials being available to deal with them. The weeds become strong competitors against cultivated plants for the utilization of moisture and nutrients.

This year the local fertilizing of row crops should be combined with top dressings during the growing season. This method can be used very well with loosening of the soil and with combating weeds. Last year, one out of every four hectares of sugar beets in Voronezh, Tambov and Penza oblasts was not fertilized. At that time, the beets in the mentioned regions did not enjoy a "sweet" life and thus it should come as no surprise to learn that their productivity declined by 30 percent compared to the average annual figure for the 1986-1990 period.

Fertilization in behalf of sunflowers should be discussed separately. It is difficult to exaggerate the importance of this crop in solving the food problem. Why then is it viewed as a stepchild? As a rule, it is consigned to last place in a crop rotation plan and thus there can be no discussion regarding the residual effect of nutrients. Last year, 15 kilograms of fertilizer were applied per hectare of sunflower planting in Tambov Oblast, 10 kilograms in Penza and Samara and five kilograms per hectare in Orenburg Oblast. Generally speaking, such fertilization was overlooked in Saratov Oblast. And here they obtained 4.5 quintals of oil-bearing seed per hectare, or two times less than the average amount for Russia.

Farmyard manure and compost remain the principal fertilizers for potatoes and vegetables. Last year, throughout Russia on the whole, organic fertilizer was applied to less than one half of the potato-growing area and only to one out of every six hectares of vegetable crop. Farms in Tula, Voronezh, Volgograd, Kurgan, Novosibirsk and Amur oblasts were unable to procure enough farmyard manure for this purpose. Certainly, if a potato and vegetable yield of 80-100 quintals or less per hectare is considered normal, then it is possible to manage with the soil's natural fertility.

This year, the best periods for transporting organic fertilizer for winter crop purposes have already elapsed. Owing to an absence of requests from the farms, the mechanized detachments of "Selkhozshimiya" were forced to release machine operators on unpaid vacation time or the latter had to seek work on the side, including in neighboring oblasts. Over a period of two months, two times less organic fertilizer was delivered to the fields than during the same period for last year. Thus we

recommend the use of farmyard manure for vegetables and potatoes and also in farm crop rotation plans. Applications of low dosages of fresh unprepared farmyard manure in field crop rotation plans must also be eliminated and it must not be removed from manure piles by bulldozers and toothless drag harrows, since this leads to strong contamination of the crops, lodging and irregular ripening and also to an excessive accumulation of nitrates in the products.

The fertilization of irrigated crops is deserving of special attention. Indeed, all irrigation expenses are justified only when guaranteed high yields are obtained from these lands, regardless of weather conditions. There are approximately 400,000 hectares of irrigated land in Saratov Oblast, the fertilization of which requires 80,000-90,000 tonnes of mineral fertilizer in active agent. Meanwhile, the farmers in Saratov Oblast received only 15,000 tonnes last year for all of their land—both irrigated and non-irrigated. It comes as no surprise to learn that the productivity of an irrigated hectare turned out to be three times lower than the figure planned. Nor is the situation any better in Volgograd, Penza and Omsk oblasts, in the Altay Kray or in the republics of Dagestan and Kalmykia.

Labor Party Leader on New Economic Policy, Role of State

944E0647A Moscow OBSSHCHAYA GAZETA
in Russian No 12, 25 Mar 94 p 9

[Interview with Ivan Kivelidi, leader of the Party of Free Labor, by Yelena Dikun, OBSSHCHAYA GAZETA columnist; date and place not given: "The 'Cook's Children' are Setting Their Own Table"]

[Text] Recently a number of well-known businessmen who do not shun politics have decided to set up a "Russian Business Roundtable." Kivelidi's Party of Free Labor, Volskiy's Russian Union of Industrialists and Entrepreneurs, Zatulin's "Entrepreneurs for a New Russia" Association, and Borovoy's Party of Economic Freedom have sat down at the new "table." It is planned to hold a founding congress in May, for participation in which already more than 5,000 applications have been handed in. OBSSHCHAYA GAZETA columnist Yelena Dikun has met with "Roundtable" initiator Ivan Kivelidi.

[Dikun] The "organization bureau" of your new association is made up of people who until recently did not especially regard each other with favor. What suddenly made you forget about differences?

[Kivelidi] At one time we all began together, then already each one tried to completely subordinate the matter to himself, to his own ambitions. I don't think that in the future we will succeed in completely ridding ourselves of this, but nevertheless now we understand we won't achieve anything one by one. All the entrepreneurial associations failed at the elections. Only individual entrepreneurs by reason of majority districts or those who, like Zatulin, "leaned against" some party got

through. This was an instructive lesson for us. The political consciousness of the entrepreneurs finally has attained an understanding of the need to unite. The entrepreneurs, as Konstantin Zatulin puts it, don't move in formation since this presupposes an alignment in order of size and clarifications of who is higher, who is greater, who is richer but, nevertheless, we are not a crowd. And in a position to jointly insist on common interests.

The economy cannot develop further along the path on which it is now going—socialist or post-communist. The government is forced to take a new formation into account. If it does not intend to do this, then our critical mass already permits us to resort to acts of civil disobedience. For example, the strike of the commercial banks on the day of the funeral of the chairman of Agroprombank, Likhachev, killed "on order," passed seemingly imperceptibly; however, it caused extreme agitation in the government. If later they will treat us like "the cook's children," we are ready to repeat the strike, moreover no longer for a single day. Given the present non-payments crisis, this will bring the situation to a critical point in which the entrepreneurs themselves are not interested. However, if the authorities don't take us into account, then we have a right not to take them into account.

[Dikun] Usually businessmen loosen their purse-strings for marginally utilitarian policy, for the creation of a lobbying system.

[Kivelidi] We don't hide that the "Russian Business Roundtable" is a suprapolitical lobbying structure. Suprapolitical in the sense that each should rise above his own personal and political preferences in order to lobby for common interests. Lobbying is flourishing today in our country all the same, but it is the lobbying of narrow oligarchic groupings, which I would call by the simplest Russian word "blat" [pull, protection, influence].

For example, today the government elicits \$1.5 billion from the International Monetary Fund by begging while every oil- and gas-producing enterprise has unrestricted money in foreign accounts significantly exceeding this amount. This is not entrepreneurial money but state money; however, for some reason it doesn't return home. Why? It's no secret that the prime minister openly protects the oil and gas industry and that most favored nation treatment has been created for it. Although it is not a budgetary sector it does not belong to the poverty-stricken; on the contrary, it yields great profit.

[Dikun] Ought one understand you that there won't be a place for representatives of the oil and gas complex at the "Russian Business Roundtable"? In general, according to what criteria do you accept into your company?

[Kivelidi] We are open for all public and political organizations expressing the interests of entrepreneurship. As regards the big oil and gas "magnates," consultations with them are now underway. In particular with representatives of the Russian fuel and energy complex and of Minatomash [Ministry of Atomic Machine

Building]. Moreover, we didn't initiate this process. The Federation of Commodity Producers, which Yuriy Skokov heads, has expressed a desire to affiliate with us.

[Dikun] Don't you fear that such a powerful leader as Skokov is using you in the interests of his own political career?

[Kivelidi] I know Yuriy Vladimirovich as a clever and tough politician who, in my view, has quite good prospects. However, there are enough strong personalities at our "table" so that Skokov will be one of them. Incidentally, after we began consultations with Skokov, I, for my part, have felt a certain estrangement on the part of the government. This can be taken as evidence of the fact that Yuriy Vladimirovich is a truly serious person.

[Dikun] Ivan Kharlampiyevich, you are chairman of the Council for the Development of Entrepreneurship under the Russian Federation Council of Ministers. It's clear that you have great ties in the government. Do they help you to deal with business?

[Kivelidi] Today the Entrepreneurship Council is an orphan. If previously, when Vladimir Shumeyko supervised and helped it, we gathered, worked, and succeeded in doing many minor things, for example, in protecting specific entrepreneurs from the arbitrariness of local authorities, now the impression is developing that no one needs this Council. Besides, it is naive to set one's hopes on some kind of favor from "the upper crust." I'll cite only one example of such "favor." Before the elections the president promised to allot 25 billion rubles to the Fund for the support of entrepreneurship. This is a drop in the ocean. However, in fact they scraped up only R8 billion with difficulty. But even that, as a result of secret manipulations, ended up in the Antimonopoly committee for some reason. From there it got into a bank by a closed tender which offered it to enterprises at a commercial interest rate.

The government accuses the entrepreneurs of not developing industry but at the same time itself does everything possible to impede it. I am more inclined to production. We produce rather many different products, for example, television sets. However, we have been forced to reduce amounts and here and there to generally curtail production because of a tax policy which simply smothers us in its embraces.

If one is to be honest, we have already become tired of feeling the economic models written by theoreticians on our backs. As we have already determined, they undergo changes already in the course of being written. In my view practical activity can yield greater results. The proposals of people of business precisely also constitute part of the "Entry into Power" plan drawn up by the "Roundtable."

[Dikun] Does this plan include a demand for the immediate replacement of the government and the accession of entrepreneurs to key posts in the executive power?

[Kivelidi] In speaking of accession to power, we mean the transformation of the state mechanism and the complete rejection of the monopolistic-totalitarian system which is alive as before. The usual change of government while retaining the existing order doesn't suit us. That is why I have regarded the departure of Yegor Gaydar and Boris Fedorov from the cabinet of ministers without any especial sorrow. They had only role functions; they hardly could change anything fundamentally.

In its present role (ipostas) it suits the government to remain the largest owner and entrepreneur and to regulate relations between the remaining entrepreneurs on the basis of the laws which it itself promulgates. It turns out that one businessman, in the person of the state, gives directions to other businessmen on how to conduct themselves. Moreover, not with respect to it—it is separate—but among each other. This is illegitimate in my view.

We no longer want to convince these people since they can't imagine another state. It is easier to simply accede to power and to change everything. The question, of course, is not one of a coup but of gradual entry, for example, into such a temporary organ that the State Duma is. For this, certain businessmen will have to forgo their own vital concerns.

Issues of Russian Capitalists, Hired Labor Addressed

944E0674A Moscow *RABOCHAYA TRIBUNA*
in Russian 6 Apr 94 pp 1-2

[Interview with Lyudmila Stepanovna Vartazarova, chairman of the Socialist Workers' Party, and A. Tikhonov, general director of the Interural Joint Stock Company and chairman of the Consolidation Party, by Nataliya Kuzina: "Is the Director Now Lord to the Worker? Or What Is He?"]

[Text] Call them whatever you wish—managers, owners, enterprise directors—but Russia already has representatives of both capital and hired labor. Many are irritated by this. Some are already calling for expropriation. It is just those who are willing to build social partnerships that remain fairly few in number.

We propose at least dialogue as a start, with participants expressing the interests of these new classes. Thus, we have L. Vartazarova, chairman of the Socialist Workers' Party, and A. Tikhonov, general director of the Interural Joint Stock Company and chairman of the Consolidation Party.

[Kuzina] More and more often people are demanding not corrections of government policy but change. And the question that everyone has avoided keeps coming up nonetheless: Was it possible for us, without socialist traditions, to force our way into the market?

L. Vartazarova:

"We should not force our way anywhere at all. But changes were necessary. We cannot deny that in recent years much that is positive has appeared. Thus, enterprising, active people have had the opportunity to realize their capabilities more fully. Government divestment and the appearance of enterprises with various forms of ownership—the country needs all of this. But current privatization rules and tax and credit policies have provided prospects for development only for speculation capital, and the redistribution of property is taking place to the advantage of a new nomenclature.

"The Socialist Workers' Party supports market reform, economic effectiveness and social justice. Today we can and must find a synthesis of socialist and liberal values.

"If liberal values such as freedom and democracy were to be combined with justice, solidarity and equal opportunity, a completely new alloy would be produced which would not be characterized by traditional socialist and capitalist concepts. This is the foundation that will enable us to move toward a new model of civilization."

[Kuzina] Unfortunately, we cannot retrieve opportunities that we have let pass. We are at the frightening stage of initial accumulation of capital. Is there a place here for theory?

L. Vartazarova:

"The question is really this: I am looking for justification for doing nothing or I am looking for opportunities to do something. If politicians think about the people they will search for opportunities to realize this synthesis."

A. Tikhonov:

"There will be no positive changes in reform here as long as one strata of people is involved. After all, it is not the basic mass of the population that has become the experimental field. Entrepreneurs are removed from influencing the economy in the same way. We have something to propose for the country's normal development.

"I emphasize the word normal because we cannot ignore the interests of ordinary people. As a practitioner, I know very well that we could have avoided the barbaric capitalism of the first years. All forms of property could have been activated. The positive qualities of socialism, that collective feeling, could have been relied on for support."

[Kuzina] Why do you speak of the feeling of the collective? After all, we are facing the problem of creating a market psychology.

A. Tikhonov:

"Our reformers decided how this was to be done: turn people out onto the street and then all market mechanisms would immediately become operational. They would not. In the West one could actually fire some of

the workers, thereby tightening up the enterprise, and it would begin to function better. But we lived under socialism.

"Or, for example, previously I also thought that money could solve all problems. One must add money and like a machine the NTR [Scientific Technical Revolution] would be activated immediately. And what happened...In my enterprise I have the opportunity to sharply increase wages if people demonstrate initiative. But they do not. New people come in. The result is the same.

"This is difficult to discuss. But this is the essence of the tragedy—we come from a socialist society in which initiative was punishable. Our other problem is that we like extremes. No matter how our money experts masquerade as Westerns, our real national character is to cut the raw wound and to keep cutting to the end. And now we really have the forcible detachment of a significant portion of the people from market reform. The alternative would have been the path that Lyudmila Stepanovna speaks of—creating a moderate program and, supporting each other, moving forward in measured steps. You would find that the psychology would then also change gradually."

[Kuzina] Lyudmila Stepanovna, are there tendencies that alarm you in the behavior of our entrepreneurs?

L. Vartazarova:

"Yes, there are. For example, directors allocate millions for their salaries. They also 'dump' responsibility for 'social services' on municipalities. As a result there are no vacation tickets for workers, no summer camps for schoolchildren and no nursery schools. However, I must say that in many cases enterprises are forced to act this way because of our government's radical tax policy.

"Enterprises do not have adequate assets to support production, let alone to maintain the social sphere. Fortunately, until recently directors and entrepreneurs managed as they could so as not to put people out onto the street. After all, most of them were raised in the 'old school' of having responsibility for people. But what will happen next?

"Right now I am more concerned about the tendencies in government policies. With all the talk about coming unemployment why are no preparations being made? Where are the new jobs? Where is the system of retraining and requalification?"

[Kuzina] An interesting situation is developing: the socialist understands the problems of the entrepreneur and criticizes the government. What should the worker, who one day may be thrown out onto the street, do?

L. Vartazarova:

"He must learn to defend his rights. Previously, in a socialist state this was not required. In addition, the plant director was under strict controls. Today the gap between the labor collective and the corps of directors

keeps growing. If a mass stoppage of enterprises begins it will result in a social explosion. Its first 'victims' will probably be the directors of these enterprises as well as the owners of commercial bureaus. The latter have naturally been the 'enemy' for a long time.

"Trade unions also have no real experience in protecting the interests of workers since during the entire Soviet period their main task was to distribute social benefits. Workers themselves must immediately learn the entire arsenal of methods to protect their own rights. Right now people are more badly off each year and they cannot seem to organize themselves and combine their efforts. While people are unorganized they are easily manipulated. There is one solution - to unify along social groups, according to professional interests. Representatives of labor collectives and trade unions must sit down at the negotiating table with entrepreneurs and directors. They must develop joint demands and present them to the government."

A. Tikhonov:

"Incidentally, the party of which I am head is not called the 'consolidation' party without reason. Its membership includes both entrepreneurs and workers. No one interferes with the other because the main idea of the party is to consider the interests of all levels of society."

[Kuzina] "To consider the interests"—this is not at all an altruistic concept. It will demand some financial sacrifices from you as a property owner.

A. Tikhonov:

"Your question reminds me of a historical example. We all know that Morozov and Mamoyatov helped the revolution and after its victory were left emptyhanded. Gorkiy explained to them that that is the people's truth.

"Personally I would not like a repetition of this. But the main problem is not who must sacrifice how much, but the precise delimitation of who does what, who is responsible for what, what he is paid and what he pays others. Laws determine all of this. It is the duty of the citizen to carry them out.

"As for entrepreneurs, despite taxes and the complexities of production the majority of directors of private and state enterprises are not abandoning the problem of the workers. They sympathize with workers completely."

L. Vartazarova:

"It seems to me that the further success of relations between workers and entrepreneurs will depend on adhering to tradition. Russia followed the philosophy of indifference to profits. Property was always looked upon as a privilege. The entrepreneur had to pay society for this privilege by showing concern for the poor."

[Kuzina] No matter how you look at it, the entrepreneur will have to open his purse strings. But there is another path, along which an attempt is made to "tame" the

main spokesmen for the interests of workers. Incidentally, the idea that we need "leftist" leaders was clearly heard immediately after the events of 3-4 October.

A. Tikhonov:

"Personally, I do not share such ideas. But let us examine them in principle...Our society is 'leftist' as a whole. It is no accident that many communists were elected to the state дума. But besides them there are many leftists in parliament. For example, there is a large contingent of independent deputies. I studied their composition. They are also basically 'leftists'.

"So it will not be possible to 'tame' everyone. And why do this; if they are leftists this is not so bad. I am familiar with the program of the Socialist Workers' Party. It is not opposed to a multi-level economy with various forms of property. If the government shifts slightly to the left I am sure that the entrepreneur will not be strangled.

"At the same time I know very well what communists are and what they are capable of if they are organized. But the extreme 'right' is also capable of extremes. This is why we do not need extremes. Society is multifaceted. Let everything exist. But we need a 'center' as a civilized solution to the country's crisis. A. Volskiy and A. Vladislavlev worked very hard on this. Despite political competition, they were always centrists and expressed moderate and reasonable views."

[Kuzina] The voting block that elected these people did not accumulate the necessary number of votes. Incidentally, your party and the party that is represented by Lyudmila Stepanovna also did not win in the elections. Don't you think that the time for compromise is running out? And that a pre-revolutionary situation is developing in the country?

A. Tikhonov:

"The failures of centrist forces in the elections resulted from organizational problems to a large degree. Of course, it is necessary to take them into consideration and to analyze them. But this does not mean that centrists do not have a future. I also do not agree that there is a pre-revolutionary condition in the country. The reverse is probably more true - one senses that the population is tired of all conflict. The people have a great need for harmony. This is what they expect from politicians."

L. Vartazarova:

"Whether there is revolution or not, right now many experts feel that in April a social explosion is possible. It is our common task not to allow this to happen. Right now, when the country is disintegrating, I do not at all care who sits next to me at the negotiating table - the entrepreneur or the Marxist. We must all make haste. It is not the time to look for the ways in which we differ. National harmony is not rhetoric. It is a condition for the survival of Russia as a country."

Labor Minister on Salary Payment Issues

944K1052A Moscow ARGUMENTY I FAKTY
in Russian No 14, Apr 94 p 5

[Interview with Russian Federation Minister of Labor Gennadiy Melikyan by Galina Valyuzhenich; place and date not given: "It Is Better To Pay Salaries In... Teapots: Back Pay Owed in Russia Amounts To More Than 2.1 Trillion Rubles"]

[Text] *Imagine this situation: On payday you do not get your pay. (Imagined?) And the next month, too. And another month. (Difficult?) One-third of Russia's population, however, do not have to strain their imaginations. For them, this is certainly not a hypothetical situation.*

Interesting: What would Russian Federation Minister of Labor Gennadiy Melikyan do if he found himself in this situation? So we asked him this question.

[Melikyan] It all depends where I would be working. If at an enterprise, first and foremost I would try to put pressure on its administration. All state enterprises are now independent.

Each employee signs a labor contract with the administration, which specifies the terms of paying wages. So please take it first to your own bosses. Of course, the situation is different everywhere, but it does frequently happen that wages are not paid, while enterprises have foreign currency accounts or own shares of large banks. Sell them and pay your employees. They are crying that there is no money, and the next thing you see is the directors getting themselves foreign-made cars and even... aircraft. Which means that some do have money. But the management is sitting on it, trying to "make it grow." Such a situation may be seen not only at industrial state enterprises. Directors of science institutes or institutions of higher learning frequently behave this way. They rent out a building, for instance, putting the profit in a foreign currency account, while instructors go without pay for months.

The easiest (and most lucrative) way is to direct the wrath of discontented people toward the government. Although, of course, its fault cannot be denied, either. Wages are not being paid (or are partially paid) at almost 40,000 enterprises. Which means that some mechanisms of the economic system are not working.

[Valyuzhenich] Gennadiy Georgiyevich, labor remuneration is guaranteed by labor laws, which so far have not been repealed. Why is nobody held responsible for violation of the law? While holding back pay for two or three months, does it not occur to anyone, for instance, to index it in keeping with price rises?

[Melikyan] There is no law that says that back pay should be indexed. For not paying wages on time, however, the managers of some enterprises may be held responsible and even face court action for administrative violations. We still have trouble accepting that the court is an opportunity to resolve the problem in a civilized

way. For many people it is only a complex, tiresome, and torturous procedure. It is so much easier to put pressure on the government, put out pickets, organize a strike... To tell you the truth, I even tried once to talk trade unions into initiating one such case. Offered our experienced lawyers. But we are too passive, friends, too passive.

[Valyuzhenich] Does it mean that those in the budget-financed sector, whose salaries are guaranteed by law by the state, have a right to file a court suit against it?

[Melikyan] This is exactly the way it should be in a law-based state. If I as a minister would be left without pay for three months, this is probably what I would do. If the state is at fault, it should be held responsible.

[Valyuzhenich] And who would in such a case be a respondent in court? Perhaps Gennadiy Melikyan, the minister of labor?

[Melikyan] I think that this is the administrative responsibility of those who are in charge of the budget. Our ministry not only is not in charge of the budget—it does not have any ability to influence the way it is formed. All important decisions are discussed and made by only a small group of people close to the prime minister and the president.

[Valyuzhenich] Are you not afraid that after this interview is published the courts will be flooded with claims?

[Melikyan] No. We would be happy to set at least one precedent. By the way, this would help us discover the shortcomings in the legislation.

Still, we are trying to somehow correct the situation with respect to wages now. But let us see first why they are actually not being paid. Today the main obstacle is that there is no money in enterprises' accounts. And the money is not there for a variety of reasons. Some simply do not earn it, they are idle. Others are not being paid for products already shipped.

Add to this the system of clearing. If some money does come into an enterprise's account, it is automatically disbursed to cover priority compulsory payments: taxes, contributions to nonbudget funds (pension), and to their main suppliers—for instance, the power generation sector. By the way, this clearing system pushed some enterprises managers into paying wages in... teapots, saucepans, irons, etc. If they sell these products, the money received will immediately go to pay taxes, but you cannot tax a teapot.

We submitted a proposal to "lock" in enterprise accounts a certain amount of money that must be used to pay wages. We have reached a compromise with the Ministry of Finance: Up to 50 percent of money that should go into federal taxes may (and should!) remain at the enterprise to pay wages. This decision has already been made.

[Valyuzhenich] On 1 March the minimum wage and the first-category rate of the budget pay scale were supposed to be increased. It is already the beginning of April, but there is no change in salary.

[Melikyan] Our proposal to raise salaries was not supported. So the minimum wage today is still 14,620 rubles [R]. There is no money in the budget.

[Valyuzhenich] Few care that there is no money in the budget. People have to live on something. It is as if the state deliberately is pushing a person to steal, drink, degrade. How can one live on a R14,000 or even R30,000 salary today if the subsistence minimum already exceeded R60,000 in March?

[Melikyan] Well, first, nobody lives on R14,000 in the first place. Only about 0.4 percent of the population get the minimum wage.

[Valyuzhenich] Are those 0.4 percent not people, too?

[Melikyan] But as a rule they have more than one job or also get a pension. So in reality they have more than that. In February, as a result of paying out back wages for January, increased supplements to pensions, and a lower rate of inflation, 16.7 percent of the population found themselves below the subsistence minimum; overall over the entire last year 30-35 percent (about 50 million) were below the poverty level.

Generally, I have to say that statistics on our income are very flawed. How do you count, for instance, the income of the immense number of people who are standing everywhere selling cigarettes, vodka, clothes... I am not saying that we live well now. But in reality it is indeed better than in some figures of statistical reports.

[Valyuzhenich] But this capacity for survival on the part of the people—which, by the way, requires a lot of effort and time—does not relieve the state of responsibility for fulfilling its direct obligations to the population.

[Melikyan] Of course not. Now, for instance, we have serious income differentiation. The top 20 percent of the high-income population account for 42 percent of all income, and the bottom 20 percent—only 7 percent. In order to find the money to go, for instance, into the impoverished budget sphere, we proposed to introduce restrictions on the growth of the payroll fund at those enterprises where wages are very high. This proposal has not even been considered yet. A decision was made recently, however, to bring in line the pay of directors of state enterprises and joint-stock companies where the controlling share of stock is owned by the state.

Right now they practically set their own salaries. Quite often—as high as they wish. Their earnings sometimes reach R10 million or more. That is why we proposed to make their pay commensurate with enterprise size and most importantly, operational indicators—first and foremost net profit.

[Valyuzhenich] Still—will wages be indexed or not?

[Melikyan] They will. This is definite. It is only a question of timing and rate. Right now everybody is trying to exert maximum pressure...

[Valyuzhenich] This brings to mind the analogy of a tug-of-war. But if the rope breaks, someone inevitably falls down.

Miners' Labor Leader on Goals, Background

944K1050A Moscow ARGUMENTY I FAKTY
in Russian No 14, Apr 94 p 2

[Interview with Aleksandr Sergeyev, chairman of the Independent Trade Union of Miners of Russia, by A. Zhukovskaya; place and date not given: "Strike: What the Miners Want"]

[Text] Aleksandr Sergeyev is the chairman of the Independent Trade Union of Miners of Russia, which was founded at the second congress of miners in 1991. He was born on 5 August 1960 in the city of Mezhdurechensk in Kemerovo Oblast. He graduated from the institute, worked in mines as a mine foreman and a mechanic. He has been in the workers movement and a member of the strike committee of the city since 1989. He was an organizer and member of practically all strikes. He is married and has two children. He rents an apartment in Moscow.

[Zhukovskaya] Aleksandr Andreyevich, why are you striking? Do you want to hang the losses of your mines on us, the taxpayers?

[Sergeyev] First, we are coming out against closing mines without job placement for the workers that are released. Further, we are trying to fight for a structural restructuring of industry and its entry into the market. The third item of our demands: To achieve the establishment of safe work conditions. It is not known to this day how the state subsidy is being used and, in general, the resources of enterprises, and what contracts and how many were concluded. Without verification and control, any subsidies will vanish, as in 1992—36 billion rubles [R] and last year—R1.5 trillion.

When we tried to come to the administration of the enterprises with an inspection—we were not given access to documents, and we were assured that this was a commercial secret. On our insistence a comprehensive check was made at the Polysayevskaya mine in the city of Novokuznetsk, and we found outrageous facts of poor economic management and criminal proceedings were instituted against the directors.

[Zhukovskaya] Thus, perhaps, instead of strikes, clarify relations with the administration in the localities, and then some of the problems will be resolved.

[Sergeyev] Everything is not that simple. We have been trying to remove the directors of the Severnaya mine for one and a half years. And at the Central mine in

Chelyabinsk, where an explosion occurred and people died, the director prospers, while saying: There is no money to pay wages.

[Zhukovskaya] But how do they explain to the miners that there is no money? After all, everyone knows about the subsidies.

[Sergeyev] They say that they have not arrived from the government yet. Only now, once again at our insistence, have the presidential structures started to get involved in verification of the transmission of state support. Along the chain of the Ministry of Finance, the Rosugol association...

[Zhukovskaya] But the court? After all, you can dislodge the money through the court.

[Sergeyev] What kind of court? In Norilsk, our organization brought a suit against the general director of the mine and metallurgical combine three times. But Judge Sokolovskaya denied our case, arguing that "the economic condition of the country does not permit observation of the law."

[Zhukovskaya] Of course, strikes are an extreme step. What have they brought you?

[Sergeyev] At our insistence, the government established an interdepartmental commission for resolution of socioeconomic problems of the coal-mining regions. We have pinned a lot of hope on this. It was headed at that time by Gaydar, but with his departure, it is now two months and the commission has not met even once—it seems no problems exist. What is more, attempts are being made now to change the situation concerning this commission. But, after all, it could conduct an analysis, and it could decide where and how much money is needed in the first instance, and in the second...

Drugs Seized in Moscow Subway

94WD0301A Moscow KOMMERSANT-DAILY
in Russian 26 Mar 94 p 22

[Report by Maksim Igorev: "Pot Suppliers: Of All Means of Transportation, the Most Important For Us Is the Subway"]

[Text] Moscow militia officers yesterday completed another operation in interdicting illegal drug trafficking. As a result of this operation more than 20 kg of drugs and raw materials for their manufacture were confiscated from criminals.

As a KOMMERSANT correspondent was told at the Moscow GUVd [City Administration of Internal Affairs], the greatest consignment of narcotic raw materials was confiscated in the lobby of the Kiyevskaya subway station by the Fedchik brothers—officers of the UVD's 3rd Department for Subway Security. They detained Ukrainian citizen Igor Belov; during the subsequent search, 13 kg of poppy straw was found in his possession and confiscated. At the same time, at the

Komsomolskaya subway station operatives detained Rostov Oblast resident Igor Roshchin, on whom they found—and confiscated—500 g of marijuana. In addition, 30 g of poppy straw, four liters of pervitin, and a sawn-off shotgun were found in the possession of watchmen at an industrial warehouse on Dorozhnaya Street.

According to militia data, suppliers of drugs and materials for their manufacture have changed their tactics lately. They now do not go directly to Moscow from contiguous states on long-distance trains but instead disembark in oblast centers such as Kaluga or Tula. From there they usually hitch a car ride to the capital. Nevertheless, since the beginning of the year militia personnel have confiscated about 200 kg of poppy straw at Kievskiy Railroad Station alone. According to operatives, the size of the average supplier's consignment of poppy straw these days is 60-70 kg.

Federal Communications Directorate Accused of Monopoly for Delivery Service

944E0687A Moscow NEZAVISIMAYA GAZETA
in Russian 5 Apr 94 p 6

[Article by Vyacheslav Polyakov, general director of the Federal Communications Directorate: "Is the Post Office to Blame for High Subscription Prices?"]

[Text] Despite accusations of monopolism leveled at the Ministry of Communications, no one wants to take over delivery of periodical publications.

The times are long gone when the price of any newspaper did not exceed two or three kopeks, and the cost of its delivery simply did not exist. Today, because of the high cost, many people simply cannot afford to subscribe to a newspaper or journal. But even if you have become a subscriber, this still does not mean that you will receive the publication to which you have subscribed on a regular basis and in a timely manner. There are many reasons for this, but, as always, the most to blame in this case is the post office, which is the last stop along the newspaper's route to the reader. Today, everyone hurls angry accusations at the post office! And above all—the publishers themselves. It has gotten to the point where the editors of the newspapers TRUD and IZVESTIYA have filed a claim with the Judicial Chamber on Informational Disputes under the Russian Federation president, accusing the Federal Postal Communications Directorate of monopolism, of unjustified increases in rates for the delivery of printed matter, and even of infringing upon the rights of citizens to receive printed information.

I would like to make an attempt to determine calmly, without excess emotion, the degree to which the accusations leveled against the postal communications directorate are justified. A letter signed by Minister of Communications Vladimir Bulgak regarding this matter was

sent to the Judicial Chamber on Informational Disputes, explaining both the essence of the question and the position of the ministry.

No one can deny the fact that the rates on delivery of printed matter are high. Unfortunately, this is an objective reality. Before, in the pre-reform times, the expenditures for delivery of printed matter were compensated from the profit received from other highly profitable services provided by the postal and electrical communications. Today we have no such possibility of redistributing income. The new economic conditions in which we live, the market mechanism, have made it necessary to introduce rates on services for the distribution of periodical publications in accordance with the expenditures. The cost of delivery today reaches more than 50 percent of the total subscription cost of the publication. At first glance this may seem too much, but even these funds do not compensate all the expenditures. The expenditures for the transit and delivery of printed publications are constantly increasing, while the income received for the 8 months prior to the start of the subscription campaign is becoming just as quickly devalued. As a result, the postal service has incurred a loss in the sum of over 62 billion rubles [R] for 1993.

We are being accused of monopolism. Yet this is the very thing which we would gladly refuse. The Federal Communications Directorate supports any initiative for creating alternative services. In many foreign countries the distribution of periodical publications is handled by the publishers, which have their own distribution network. The postal service performs individual operations by contract with the editorial offices. We might add that today the Russian postal service is already not a monopolist in taking subscriptions, processing orders and expediting. Alternative services for the distribution of printed matter have been created and are in operation at the AO [joint-stock company] "AiF," "Izvestiya," "Rospechat" and others. A monopoly is retained only on one type of service—the delivery of printed publications. Because of its unprofitability, no one wants to engage in this and bear the losses. We have repeatedly made proposals to the editorial offices and publishing houses regarding the creation of their own delivery services, but they are in no hurry to do so. It is too expensive and unprofitable. Due to the low profitability (in 1993 on the whole for the postal service it comprised only 2 percent), we do not have the funds to develop this subsector. The network of postal institutions is getting smaller. In the last year there have become 1,000 fewer of them. The number of trains carrying mail is decreasing, in connection with which 202 routes of postal cars have been cancelled. How can we speak of quality of servicing under these conditions?

The efficiency of printed matter delivery could be facilitated by a network of decentralized printing of central newspapers. However, due to their own economic difficulties, the editorial offices have begun to reduce the number of printing points. The problems of the transporters, polygraphers, and editorial offices are quite

understandable and explicable. However, all the accusations of increasing the delivery times are being addressed only to the postal workers. The efforts of the postal institutions to distribute printed matter remain unnoticed. However, despite all the difficulties today, 70 percent of the circulation of the central newspapers is nevertheless delivered to the subscribers on the day of issue. The subscription circulation of periodical publications for the first half of 1994 comprised 103.5 percent of the circulation for the second half of 1993. The number of titles of newspapers and journals distributed by the postal service continues to grow (from 1901 publications in 1993 to 2113 in 1994). I repeat, our efforts may seem inadequate to some, but we cannot forget that as long as the postal service endures losses from its activity, it is difficult to expect better results.

The existing system of state subsidies does not extend to all types of services, but only to the delivery of regular and registered correspondence and to the mailing and delivery of money orders and parcels. We have been categorically refused subsidies for the delivery of printed matter—the most unprofitable service. The Minfin [Ministry of Finance] explanation states that the expenditures for delivery of periodical publications must be determined on the basis of predictive calculations, taking into consideration the possible changes in prices on consumed products, and must be reimbursed by the publication subscribers.

Prices on subscription publications must, of course, be affordable to the main body of the readers, but this is a problem not only of the post office. All interested parties must strive toward this. The results of recent subscription campaigns indicate that the Federal Postal Communications Directorate, together with the editorial offices and publishing houses, has been able to stabilize subscriptions. However, the reduction of subscription prices may only be achieved in two ways. First—a state subsidy of editorial offices, publishing houses and distributors must be implemented. However, this would mean admitting our own helplessness without engaging the market mechanism. The second, and in my opinion the most optimal means, is the formation of a system of tax benefits for the entire complex associated with the publication and distribution of periodicals. Then we will not have to give away funds in the form of taxes with one hand, and to accept subsidies with the other. The repeal of the value-added tax on printed matter and of the taxes on property of enterprises associated with the printing of periodical publications and their distribution would make it possible to reduce subscription prices by almost 30 percent and to increase the subscription circulations accordingly. The Ministry of Communications has repeatedly presented such proposals for discussion by the government, but unfortunately they have not been supported. We will hope that reason will prevail. After all, nothing will be accomplished by mutual accusations and justifications.

Central Press Subscription Costs Prohibitively High in Far East

944F0551A Moscow ROSSIYSKIYE VESTI in Russian
6 Apr 94 p 2

[Article by ROSSIYSKIYE VESTI correspondent V. Golovin: "Khabarovsk Postal Workers on Attack Against Newspapers . . . with a Half Hitch"]

[Text] Khabarovsk—We are already used to it. Every time he is about to start a subscription, the ordinary person, who cannot imagine life without newspapers and magazines, freezes in anxious expectation: what price surprise will the next subscription drive bring him?

For example, in Khabarovsk, to get the central papers, which come out five times a week, they were asking 13,260 rubles [R]. So that ROSSIYSKIYE VESTI, based on the catalog price, would cost the subscriber more than R25,000—exactly five times more than he paid in the first half-year. The head of the press sales department at the Khabarovsk postal service administration, Tatyana Aristova, and the head of the planning department, Nina Vartseva, graciously presented all their calculations. This is how it works. To the "catalog" cost of the subscription, the postal workers add on 8 percent, plus the cost of one copy, multiplied by the number of times the newspaper comes out. But what norms are all these percentages based on? According to their assertion, these are the expenses for organizing the subscription itself, plus the cost of receiving, processing, and delivering the newspapers.

Those living in Khabarovsk are actually lucky. What if they were in Nikolayevsk-na-Amure, or Okhotsk, or somewhere else in the northern rayon of Priamurye? There, the Khabarovsk price for the delivery of their own country's newspaper would seem completely laughable. In the north of Khabarovsk Kray, postal rates for daily delivery of the central paper stun any imagination—R46,000! Don't forget to add to this the "catalog" cost of the publication as well.

May the Khabarovsk postal workers forgive me, but I personally am of the opinion that they are going to great lengths to rid themselves completely of the burden that the newspapers are. Speaking to this is the organization of subscriptions for the periodic press and its delivery, when all imaginable and unimaginable expenses are passed on to the Priamurye residents.

There is a completely different attitude in neighboring Primorskiy Kray toward the lawful right of each person to receive information. If in Khabarovsk each rayon's postal service is doing its best to astonish the individual with its own price for newspaper delivery, then here a single price has been established—the same in Vladivostok as in the distant settlement of Luchegorsk. Moreover, to the more mass and popular publications, the cost of delivery is reduced by half over the normal cost. This system has been in effect here for over two years. And before starting the subscription drive for the second half of the year, postal workers came out with one more

initiative, announcing for their partners a subscription, despite their relatively moderate price, on credit.

"We do not want to lose subscribers," the head of the Primorye postal service, Antonina Astanayev, told me. "Believe me, postal workers have absolutely nothing to gain if the newspapers go under."

Similar examples have absolutely no effect on the Khabarovsk postal workers. It is useless to cite the February resolution of the Russian president's judicial chamber on information disputes about how several territorial subdivisions of the postal service, occupying a monopoly position, have been willfully and uncontrollably establishing prices for newspaper delivery that significantly exceed the "catalog" cost of the publications. In reply to this, the head of the Khabarovsk postal service, Otto Grib, told a journalist from a local newspaper that the legal chamber's decision is lying on his desk, too, but it is nothing but a piece of paper which does not obligate him in any way.

CIS Media Officials on 'Single Information Space'

944F0549A Moscow ROSSIYSKIYE VESTI in Russian
7 Apr 94 p 4

[Article by Nikita Vaynonen: "Isn't the Game on 'Single Information Space' Going Through One Gate?"]

[Text] Let's begin with the statistics. About 120 million Russians live in Russia, and about 30 million citizens belong to other nationalities. Of these 30 million, slightly fewer than a third—nearly 9 million—comprise immigrants from the former union republics of the USSR. In other words, of every dozen Russians, one is connected in some way with those lands now known as the near abroad. He is connected by bad memories sometimes, unfortunately. But basically the number cited—one in a dozen—is made up, understandably, not of Russian immigrants but of Ukrainians, Belarusians, Kazakhs, Armenians, Azeris, Moldovans, Georgians, Uzbeks, Lithuanians, Latvians, Estonians, Kyrgyz, Turkmen, and Tajiks. This somewhat unusual order of listing is by decreasing number of representatives of these peoples within the borders of Russian territory. The largest group living in Russia are the Ukrainians—4.4 million. The fewest of all are the Turkmen—about 40,000. Major diasporas include the Belarusians, 1.2 million, the Kazakhs, 0.64 million, the Armenians, 0.5 million, and the Azeris, 0.34 million. There are a little over 100,000 Georgians and Moldovans each. The majority of the peoples of the former union republics are represented in Russia by the same number of citizens as the population of a major city might comprise.

Does the Russian state remember that these people too have national feelings and interests? These people do not make up republics or autonomies, as do other nationalities residing in Russia, nor are they demanding this. Thus it is even more pointless to ignore their demands. Above all for information. Nationality-group societies

and confessional organizations might concern themselves at least somewhat with the cultural, religious, and educational requirements and needs of their fellow tribesmen, but it is beyond the powers of such organizations to arrange for issuing periodicals, to say nothing of radio and television. The old information connections have been completely disrupted. It used to be in Moscow a person could easily subscribe to or purchase republic newspapers and magazines, radio and television broadcast programs produced in the union republics, and all kinds of festivals, TV bridges, and so forth, were organized. Of course, in all this there was, often even overwhelmingly, a degree of falsity, mere show, deceptive and self-serving propaganda, which is in fact why the "single information space" collapsed. But in starting to talk now about reestablishing it, it is clearly useful to account clearly for the reality that has formed in its stead.

The heirs of the union's former so-called Central TV and Radio—the Russian federal TV-radio companies—have reoriented themselves wholly toward Russia, and only Russia. Even if some of the content in the broadcasts were especially calculated for our neighbors and they felt like seeing or hearing something, neither side would have the money to make that happen. According to world practice, it is the receiving country that pays for the technical provision and the right to transmit broadcasts from another state. Here we have it the other way around. The director for international communications of the VGTRK [All-Russian State Television and Radio Broadcasting Company], Sergey Yerofeyev, informed the RIA [Russian Information Agency] that, except for Belarus, Turkmenistan, and a few other countries of the CIS, which undertook the expense themselves (and only for the transmission), the other states of the near abroad have informed the company that they cannot pay to disseminate Russian TV and radio programs. Nor are the Russian TV and radio companies themselves in a position to do this any longer; they don't have the money to run them to their own country. The picture with the periodic press is analogous.

Let us turn our attention to this, however. The above-mentioned announcement by VGTRK's director for international communications stresses that the company is still trying to pay for transmission beyond the borders of Russia, since it is concerned about the interests of the 20 million Russians in the near abroad, for whom television and radio are the "sole channel for direct and vital contact with Russia," and since "it would be a tragedy if the last connecting thread were to break off." This is so, undoubtedly, and the appropriate efforts must be redoubled, although in no instance can one count merely on the enthusiasm of the television companies, which without the support of the president and the government are simply powerless to do anything. I still wonder, though: Why does the director for international communications, while worrying about his fellow countrymen abroad, not even mention the 9 million other fellow countrymen of his who are living in Russia but are

linked by blood to her neighbors? Why does he say nothing about that every twelfth Russian who in the correspondence page indicated that he was a Ukrainian, or a Turkmen, or an Armenian, or a Moldovan, or an Estonian. . . . Least of all do I wish to reproach S. Yerofeyev personally. This is just the old habit of thinking about information connections as primarily one-sided.

Inside the Soviet empire, Russia (or more precisely, Moscow) was the center, sending out "necessary" information to an entire one-sixth of the world, but hardly ever receiving it. The "back connection" scarcely enjoyed equal rights. Now the "situation" has changed, but the psychology has not. To some frankly, but to the majority subconsciously, the "single information space" means the Russian space, which just creates additional grounds to reproach us for imperial ambitions. In Moscow it is much easier to buy a newspaper from the United States or Japan, or pick up a broadcast from London or Paris, than to read, watch, or hear information from Kiev or Tallinn, Tbilisi or Bishkek.

Usually you can still pick up radio from the nearer capitals, but the Trans-Caucasus and Central Asia are virtually inaccessible to radio listeners, and there's not even a dream of TV broadcasts from them.

Is something being undertaken to change the situation?

The Mir TV-radio company has been created. It was conceived as CIS-wide, but its technical and creative possibilities do not allow it to proceed, understandably, in any way comparable with the former union Central TV and Radio. For the most part it broadcasts "from Russia with love"; analogous broadcasting into Russia is nil.

Last December, at a meeting in Ashkhabad between CIS heads of state, a decision was passed to create a weekly entitled "The CIS: A Common Market." This February, representatives of the Commonwealth countries' economic departments signed founding documents on the publication of this newspaper. They were supposed to club together to finance and distribute it in all the shareholder states. Everything seemed decided. But there still isn't a "single common CIS publication"! As was reported at RF [Russian Federation] Roskompechat [Russian Committee for the Press], it isn't even registered, inasmuch as Roskompechat has temporarily halted registration. An unimportant but eloquent detail: once again, everything is being decided (or not decided) in Moscow.

What does the situation look like "from the other side," from the countries of the near abroad? How do immigrants from there who are living in Russia learn about events going on there?

Vadim Dolganov, press-attache, Ukrainian Embassy, Moscow:

Two newspapers are published in Russia for Ukrainians. The Association of Ukrainians in Moscow and Russia puts out UKRAINSKIY VYBOR, and the Slavutich society puts out UKRAINSKIY KURYER. The former comes out more or less regularly, something you cannot say about the latter, unfortunately. There are many problems with their publication, which are extremely difficult to resolve, primarily due to a shortage of money. For this reason, the Promin radio station has ceased to broadcast to Russia. I want to emphasize that it is merely a matter of money, and any attempts to drag politics in here have no foundation whatsoever. Information links must be restored as quickly as possible because there are so many misunderstandings on these grounds, and as a result the mass media, instead of aiding mutual understanding, often hinder it. Our ambassador, Vladimir Kryzhanovskiy, recently met with the editors-in-chief of the Russian newspapers. All of them supported his proposal that within the CIS, at the level of prime minister, an agreement is necessary on mutual obligations to facilitate the exchange of information in every way possible. So far that information is often not objective. We frequently write about one another the way we used to write about America: Oh, they're lynching Negroes there, and in Chicago it's nothing but gangsters. It was reported, for example, that in Sevastopol all the schools were switching to Ukrainian. But that's not true! The press is supposed to reduce, not compress the tension. The Intersputnik system is not being utilized now. Broadcasts to Ukraine could go over that, and from there at least to the regions of Russia where Ukrainians live in large numbers—Tyumen, the Far East, Moscow, and St. Petersburg.

Anatoliy Goregryad, press-attache, Embassy of the Republic of Belarus:

As far as I know, there are still no newspapers or magazines in the Belarusian language in Russia. The Batkovshchina society came out as the initiator for such a publication, and it is registered with Roskompechat, but it has not yet started to come out. Even we in the embassy get newspapers from Minsk with great difficulty, and only through Internal Affairs Ministry channels. The picture is the same with Russian newspapers in Belarus. These problems cannot be solved until the issue of Belarus's entry into the ruble zone is decided.

Regina Minaylova, cultural advisor, Embassy of the Republic of Belarus:

Belarusians come to the embassy asking to read our ZVEZDA or our NARODNAYA GAZETA. The Batkovshchina Society is organizing a subscription in Minsk for Muscovite Belarusians, but the shipping is terribly expensive. There is no retransmission of broadcasts from Belarusian radio in Russia (nor is there of the radio of the other former union republics—Ed.), and it can be very hard to pick up Minsk. As far as I know, soon after the election of Mecheslav Grib as chairman of the

Supreme Council of Belarus, President Yeltsin suggested to him that the single cultural space be revived within the CIS and a corresponding agreement and committee be set up to deal with issues of culture, science, education, and information. This is absolutely essential!

David Demetrashvili, press-attache, Georgian Embassy:

It's hard to say how many Georgians there are in Russia now. After all, a large number of refugees have been added! In Moscow and St. Petersburg, GRUZIYA: SOBYTIYA, LYUDI in Russian, is being distributed. Two issues have come out. There is nothing in Georgian. After all, though, Russians need to know the truth about Georgia, too! In their reports on Georgia, unfortunately, the Russian media often commit blunders.

Nikolay Martyanov, head of the Foreign Economic Activity Department, Roskompechat:

The assistance program for ethnic Russians in the near abroad provides for duty-free shipment of publications for them, duty-free supply of printing equipment, and paper for printing newspapers, magazines, and books in Russian there. The same needs to be done to help put out publications intended for representatives of other ethnic groups residing in Russia. This could be done on a reciprocal basis.

Lavrentiy Mikhaylov, head, International Cooperation Administration, Roskompechat:

The restoration of contacts and the conclusion of bilateral and multilateral agreements on information exchange inside the CIS and with other countries of the former USSR is a matter of great importance for Roskompechat. At the suggestion of the Belarusian side (we had wanted to make the same one, but they beat us to it), a meeting is planned for representatives of the press and of the appropriate government departments of the countries of the CIS to discuss the exchange of publications and mutual assistance and cooperation in the sphere of the press and information. The meeting is proposed for May.

Unfortunately, we were unable to find anything out about similar plans in the area of TV and radio, since on the Russian side there is simply no one working on that as yet. The Federal Television and Radio Broadcasting Service, which was formed by presidential edict, has yet to be created as a practically functioning organ.

Let us sum up. Everyone we were able to talk with is in favor of a single information space. The Russia's economic situation, however, and especially that of its poorer neighbors, allows no hope that in the near future we will even be able to approach the scale this space enjoyed formerly. Efforts at the state level are scattered and weak and do not go much beyond good intentions. For all intents and purposes, there is no information market across the former Union. The absence of a

full-blooded, healthy exchange of information is becoming a major reason behind many conflicts and tensions. Russians abroad may still be at least partially informed about affairs in their homeland, but non-Russians in Russia are virtually not at all about events at home. The circulations of the two Ukrainian and one Georgian newspapers mentioned do not cover even a hundredth of their potential readers, and there is no information at all about publications for representatives of other nationalities in Russia.

And finally. A request not to reproach the author for the weakness of the constructive part. Many suggestions could be made, and some have already been heard in conversations. Everyone speaks with enthusiasm on "what is to be done." But nothing is done. The main thing is that all gazes are once again turned toward Russia, whereas the Russians themselves, while treating outside initiative quite jealously, are manifesting their own initiative meagerly. As well as one-sidedly, concerning themselves only about Russians abroad. As David Demetrashvili correctly noted, the idea of creating a network of information media for non-Russians in Russia is topical and very necessary. If, I might add, the game goes through the same gates as before, the creation of a new information space, where all "players" are on an equal footing, will not even be able to get started.

State of Television in Russia Viewed

944F0530A Moscow ROSSIYSKIYE VESTI in Russian
1 Apr 94 p 7

[Article by Nikita Vaynonen: "The Soap Is from the Wrong Opera, But the Broom Is Valuable"]

[Text] What will become of our TV? Will it remain in the form the viewer is used to, or will it ultimately come under the power of commerce and bad taste? Is the state prepared to continue in the future to pay for its maintenance, or will these payments gradually decrease to zero over the next couple of years? Do we need state TV at all, or should it become exclusively private?

Questions, questions, questions...they are being discussed at many levels, from the communal kitchen to the parliament. And with all the diversity of opinions the disputing parties, as a rule, agree on two points: The spiritual health of the nation depends largely on television, and television itself is seriously ill.

In the most general form the condition of our TV screen reflects the condition of the economy, culture, statehood—society as a whole, with all the pains of the transition period when the old structures are rotting and collapsing and the new ones are being born into torment and filth. Perhaps the only difference with TV is that it is more on view for the country than anything else: What is beyond the mirror (excuse me, beyond the screen) directly affects the "picture," what television workers call the result of their labor—everything we see on the screen.

A good deal has been said about the corruption that has been eating away at state TV, including by the leading masters of state television itself. We shall not repeat this. But if the discussion were only about who is putting the most money in his pocket, the subject of corruption in TV would hardly be worth a separate discussion. The more so since television journalists, like the rank-and-file television workers in our country in general, have never been paid as much for their labor as their intellectual property is actually worth. So is it such a great sin for them to be paid more now, actually in keeping with their labor and their talent?

The problem (or blame) lies not with large amounts of money, and frequently not even with the means of obtaining it, which, as a rule, you cannot figure out. It is impossible to judge what is legal here and what is not as long as there is no law on television. Is it legal, for example, to split up the advertising service of that same Ostankino when the business—and the money!—is handled not by a helpless single owner but by a multitude of real owners of individual programs? The desire to earn money in and of itself can only be laudable. The blame (and the problem!) of those who are earning it lies in that labor and talent have nothing to do with earning money anywhere. Mr. Sheldon Markoff, our guest from American television circles, recently noted in the company of his Russian colleagues:

"I have devoted half my life to television and let me assure you that our federal television broadcasting company defends only the interests of the public, the audience, and by no means those of the state and the broadcasters. Our license to broadcast is something like an oath of fidelity to the television viewers. It would be better for you to come and see for yourself than to see the monstrous American television product which I see in your country every day."

And there you have it! Only the Third World has the good fortune to tirelessly watch a stern-looking man tastefully lighting a cigarette against an exotic mountain Indian background. Americans would simply not understand it if somebody tried to prove to them that Lucky Strike is real America. It seems that under Kennedy the first machine for computer translation from one language to another was tested in the United States. They asked the president to suggest some phrase in English and assured him that he would immediately hear how it would sound in Russian. "All right," said the president, "here is a phrase for you: The spirit is strong but the flesh is weak." The machine grunted and spit out: "Vodka keeps well, but the meat has spoiled." It must be that the creators of the machine had automatically put into it ideas about Russians that are typical of the "mentality" of the average American: Where there is Russia there is vodka. And regarding meat, it was a real prophecy. Our own rots, but on the screen there is "Knorr"....

Advertising tobacco and alcohol on television is prohibited in our country by the law on protection of the health

of Russian citizens. But neither the law nor the corresponding order from Ostankino chief A. Yakovlev is being obeyed. The money is more valuable!

But what is more valuable than money? It is thought that inducement is. And the main national "inducement" is that the new Constitution guarantees to citizens (Article 44): "Everyone has the right to...access to cultural values." If one keeps in mind that the lion's share of these values are concentrated in the two Russian capitals and several other large cities, it becomes clear that the right to access to them can actually be provided only with the help of television. But sociologists attest that never before has the percentage of programs that are called serious been as low as it is today. Air time has been clogged with a flow of "soap operas," simple-minded competitions and quiz shows, and concerts of pop and rock music. It would be all right if it were good "soap," but our television bureaucrats have given preference to low-grade Latin American "operas." And the main place among the game shows and competitions has been taken by those in which the viewers' imagination is struck not by the creative devices of their authors but by the amounts of the prizes. It is no wonder that on one of these programs, instead of toys on the Christmas tree there were \$100 bills. There is no need to even talk about the tasteless and noisy television concerts: The lyrical songs of Soviet composers which we criticized mercilessly in the past for the banality of the text and music seem like true treasures by comparison.

World experience shows that TV inevitably becomes a vehicle for mass culture. But some examples of it are better and some are worse. On our television, preference is given to the worst. The reason is simple: We select whatever is cheaper and can produce a rapid and the largest possible gain. Here, as distinct from food products, the food of the screen does not undergo even a selective expert evaluation. The only guarantee against a poor-quality product, both foreign and domestic, are the taste and honor of the television journalists themselves. But these remarkable qualities are always being subjected to a great deal of pressure. The main concern is how to survive.

With a 40-fold increase in the cost of television programs, the cost of services of the Ministry of Communications, which puts out the signal, has increased 100-fold. According to the testimony of such authorities as the general director of VGTRK [All-Russian State Television and Radio Broadcasting Company], A. Lysenko, and the chief of the fund for protection of glasnost, A. Simonov, today it is more advantageous to use foreign land transmitters and communications satellites than to apply for the services of the corresponding domestic departments. And there is no hope that these services will become any less expensive in the foreseeable future. The price of a kilowatt-hour, for example, is still less than the world price, and when they become equal (and this is apparently inevitable), it is difficult even to imagine how much the energy workers will be asking from the communications workers, and the latter—from

the television workers. Radio broadcasting, naturally, is in a similar position. In the budget not only did they not account for this inevitable growth of prices but even the costs at the current rates were to be financed only partially (according to information from the deputy minister of finance, I. Molchanov, subsidies are being cut by half, and in the draft budget submitted to the Duma there is even less money). In the upper echelons of the television business they are quite seriously talking about cutting broadcasting by a factor of two, three, or even four. According to the prediction of Anatoliy Lysenko, then "Russian television viewers would be able to see only films from video rental stores slightly diluted with news excerpts."

Unfortunately, searches for a way out of the impasse for a long time have amounted exclusively for searches for someone to blame. In turn and altogether they have been the energy workers who are raising prices, the communications workers who are threatening to strike, the government which is not providing money and is breaking its firmest promises to provide at least some...of course, it is absurd when one state structure, in this case, communications, gets something from another one that is equally a part of the state by striking. That is like the story where the right arm says: I will not cut hay until the left one gives me a scythe, and the left one answers: I will not give it up until you put a sleeve on me, and the right one says: I will not put it on until...and so forth. It is pointless to look for a scapegoat. And even if after digging you manage to find unjustified rate increases in some stage, this will not save us. Everyone involved in the problem, regardless of whether they have economic or political views, seems to agree on a simple idea: The state is incapable of carrying such an immense monster as the present state television and radio. The state is unable not only to feed this monster, but even to provide the minimum necessary control of this structure.

Today state broadcasting includes 93 television and radio companies (three federal, one in Moscow, and 89 regional ones). In terms of the volume of broadcasting and the audience reached, it is still the predominant one. But in terms of potential energy, both human and material, state TV is clearly falling behind independent TV. There are already 321 private companies in operation, and this is not counting the cable studios that are sprouting up like mushrooms. On the Ostankino channel, which is still the most powerful, 80 percent of the programs are made by independent producer services (ViD, NTV, Eksperiment, ATV, etc.) and only 20 percent are made by state television employees and journalists, of whom, according to estimates of experts, there are clearly too many. (Here, true, it is necessary to make a significant reservation: The word "independent" which is used to designate nonstate companies is, to put it mildly, imprecise—they are even very dependent on their supporters, frequently more so than state companies are on the state, which, as Aleksandr Yakovlev correctly noted in an interview on Radio Liberty, no longer interferes in the work of television journalists.)

But destatization of television and radio is only one of the paths to economic support for broadcasting. Moreover, it involves costs. At a recent meeting of the television community in the House of the Journalist where this problem was discussed, one of the representatives of the regional companies told how the creation of a joint-stock company out of the broadcasting center was proceeding in his city. He asked not to give his name because "I have to live there." The lion's share of the stocks went to the local administration of the State Committee for Administration of State Property and also local communications workers—who are now in charge of the center. All the journalists could do was scrape together enough to buy thousands of vouchers, which gave them the right to...3 percent of the stocks.

This kind of "privatization" of air time can lead to only one thing: The monopoly of the center will be replaced by a much more destructive and selfish monopoly of local authorities.

The situation was exacerbated especially after the Ministry of the Press was transformed into the Russian Committee on the Press and the Federal Television and Radio Service was created: Licensing of air time, which for better or worse was still handled by the corresponding administration of the Ministry of the Press and Information, was actually terminated. It is not included in the functions of the state committee, and the federal television and radio service was created only *de jure*. Moreover, its specific authority was not prescribed in the presidential edict on its creation. It must be concretized in the Statute on the Radio and Television Service, a draft of which was recently made known to the journalistic community. Information on the "parents" of the draft is going about, but, judging from its content, the "parents" have little in common with the authors of the president's edict: The draft interprets the federal service as an institution in charge of domestic air time even more strictly than the former Soviet State Committee for Television and Radio.

The colleagues who gathered a couple of days ago in the House of the Journalist (and they were representatives of state and private television and radio companies, journalistic legal protection organizations, the Union of Journalists of Russia, and the judicial chamber for information disputes) think that the state (or, more precisely, social-legal) television and radio broadcasting is necessary—it can consist of one or at most two channels which exist at the expense of the budget or by direct payment made in some form by the viewers and listeners themselves and therefore do not depend on commercial interests. In order for nonstate broadcasting to develop on a healthy basis it is necessary, first, to destatize television and radio companies, and especially broadcasting centers, and this should be done in such a way that the people actually in charge of air time are the professional journalists themselves, who know how to work in the interests of the audience and not broadcasting bureaucrats; second—as soon as possible it is

necessary to have a law on television and radio broadcasting which would place the commercial, political, and other aspects of TV work on a firm legal foundation.

But until there is a law, the Federal Television and Radio Service should be assigned strictly limited functions, and in no case should it be made into a supervisor of air time. Its work is to carry out licensing and to check as strictly as possible on the observance of its conditions (so that poison is not advertised, there is not too much porn, stolen goods are not circulated, etc.), for which it should have a data base of license holders and the quality of their work. A new broom should sweep things clean. But no censorship! No "ministry of truth"! Only the law! As for money, society will be able to pay for its own public television if it becomes the kind the cultural, civilized majority of the nation want to see.

Report on Ostankino Economic Activity

944F0546A Moscow *ROSSIYSKAYA GAZETA*
in Russian 7 Apr 94 p 6

[Article by the Control Directorate of the Administration of the President of the Russian Federation: "Information on the Results of the Audit of the Financial-Economic Activity of the Ostankino Russian State Television and Radio Company"]

[Text] [begin boxed item]

Scandals: Where Are the Remains of the Ostankino Billions?

The provocation regarding the "version" of the state coup had barely died down when a new stage in the search for enemies could be heard.

A quite reputable publication—NOVAYA YEZHED-NEVNAYA GAZETA—on whose editorial board there do not seem to be any provocateurs but with which such respectable politicians as M. Gorbachev and G. Yavlinskiy are affiliated, published information on 30 March concerning the results of an audit of the financial-economic activity of the Ostankino television and radio company conducted by the Control Directorate of the Administration of the President of the Russian Federation.

It would seem that the publication of this kind of document should only be welcomed. However, this publication turned out to be very peculiar. After making a number of removals from the text of the document and accompanying its principal propositions with caustic comments directed at the auditors themselves, as well as at those "close to the president," NOVAYA YEZHED-NEVNAYA GAZETA accused the Control Directorate of performing some kind of "sociopolitical order."

The sense of the accusation is extremely simple. According to this logic, people are divided into strangers and friends. The first are members of the nomenklatura and partocrats (V. Bragin, Yu. Bandura)—they should be

the subjects of the most thorough attention and investigation. The second, the freedom-loving democrats (Ye. Yakovlev, I. Malashenko, A. Maslyanov, and A. Razbash, VID and INTERVID members), are untouchable. Any investigation of their financial-economic activity is assessed as subversive sociopolitical activity by the enemies of reform and perestroika. Briefly, do not touch ours!

This dual morality on the part of the NOVAYA YEZHEDNEVNAYA GAZETA publishers becomes obvious when you familiarize yourself with the original source in its full text, which we suggest that you do today.

The document we are publishing was sent by the Control Directorate of the Administration of the President to A.N. Yakovlev, chairman of the Russian State Television and Radio Company, "for examination and adoption of appropriate measures" and, judging by everything, it was not intended for the press by the auditors. In this connection, the question arises for NOVAYA YEZHEDNEVNAYA GAZETA:

What place does your publication hold in the "rating of lies?" [end boxed item]

In accordance with instructions, a Control Directorate Commission, with the enlistment of specialists of the Ministry of Finance of Russia, the State Committee of Taxation of Russia, the State Committee for Management of State Property of Russia, the MVD [Ministry of Internal Affairs] of Russia, and the DNP [Russian Federation Department of Tax Police], conducted an audit of the financial-economic activity of the Russian State Television and Radio Company (RGTRK) Ostankino in January-February of this year.

In 1993 the Ministry of Finance of Russia financed the expenditures of the RGTRK Ostankino from the republic budget of the Russian Federation in the sum of 103.7 billion rubles [R], of which R82.8 billion, or 80 percent, constituted payment for services of the Ministry of Communications of Russia, and R20.9 billion was expended on its own needs. At the outset of 1994 the company's indebtedness to state enterprises that ensure the dissemination and broadcasting of radio and television programs was R50.3 billion, and to the Television Technical Center (TTTs), R1.8 billion. It should be noted that the present indebtedness to enterprises of the Ministry of Communications led to severe social tension of these enterprises in labor collectives and created hotbeds of strikes in many regions of the country.

At the same time, despite the difficult financial situation, the leadership of the company and the general economic board of directors did not undertake the necessary measures to eliminate deficiencies in the expenditure of budgetary resources, and also to increase the efficiency of commercial activities. A number of shortcomings noted in the materials of the audit by the KRU [Control-Auditing Directorate] of

the Ministry of Finance of Russia for 1992 have not been eliminated to the present time.

Budgetary resources continue to be used for purposes other than those designated. Of the resources allocated in 1993 specifically designated for payment for technical means of communication, R2.4 billion was directed at financing the services of the TTTs, the production of films of the Ekran association, and also maintenance of buildings and other administrative expenditures.

As a result of the lack of proper control on the part of the leadership of the RGTRK Ostankino (former chairman V.I. Bragin), individual television studios during the past year illegally allowed an increase in the volume of broadcasting established for them, which was financed from the republic budget of the Russian Federation. The Information Television Agency, the Musical and Entertainment Programs Studio, and the National Creative Arts Studio exceeded their broadcast time limit. As a whole, the company groundlessly spent budgetary allocations in the sum of R3.3 billion on an above-plan volume of broadcasting of original programs. To this day, the company has not fulfilled paragraph seven of the Edict of the President of the Russian Federation of 18 December 1993 No. 2206 "On Urgent Measures of Support of State Television and Radio Broadcasting" in the part on submitting proposals to the Government of the Russian Federation in a month's time on possible reductions in the volume of television and radiobroadcasting.

The question of payment of costs associated with broadcasting programs of the first television channel, the first radio program, and the Mayak programs to the CIS countries and the near abroad has not been resolved, and all expenditures to this day are being paid from the Russian Federation budget. They amounted to R18.5 billion in 1993. Moreover, at the outset of this year there is an indebtedness in the sum of R10 billion.

The RGTRK Ostankino is engaged in commercial activity in an extremely ineffective way, and in a number of cases it is even conducting it to the detriment of its own interests. Advertising in television and radio broadcasting, which is one of the main sources of commercial income of the company, is arranged in a practically uncontrolled way. It was only in May 1993 that the main advertising-commercial directorate was established. However, up to the present time the work associated with advertising is conducted by different structural subdivisions independently. The absence of a unified system of accounting and control does not allow the availability of reliable data on the resources the company receives from advertising activity. Cases of advertising time established by contracts being exceeded by the television company VID, the producer firm Master TV, and other studios were revealed.

In 1993 cases were allowed in which budgetary allocations were allotted to subdivisions without taking into account resources that they received from commercial activity. Thus, the board of directors of television programs was allocated R38 million at a time when the expenditures of the studio were fully covered thanks to income received from advertising activity. Just as heedlessly, R21 million were allocated to Radio Podmoskovye. A selective audit conducted in five studios established cases of nonpayment for placed advertising as far back as 1992 for a total sum of R45 million. In 1993 the indebtedness amounted to R441 million.

It was only in December 1993 that the leadership of the company signed orders in which an attempt was made at systematization, accounting, and regulation of advertising activity, a statute was approved on the broadcasting advertising activity of the RGTRK Ostankino and the minimum calculation for advertising, and periods were established for effective rates.

In 1993 the yield from commercial activity totaled R11.2 billion, although, according to an expert estimate of the Sociological Center, just for showing advertising RGTRK Ostankino should have received a profit of no less than R60 billion. This estimate is corroborated by the results of an audit of activity associated with the purchase of licenses for the right to show television serials by way of allocation instead of advertising time.

As was shown by the terms of a contract concluded on 16 February 1993 by I.E. Malashenko, acting chairman of the company, with the advertising agency (RA) Premyer SV, in cooperation for the purchase from the WORLD VISION Company of the rights to show the television serial "Twin Peaks" and the organization of its showing on the RGTRK Ostankino channel, RGTRK Ostankino would have been able to receive R1.3 billion. In the contract, without the appropriate economic calculations, this agency was granted 120 minutes of advertising time in all 30 episodes of the film, which according to the most minimal calculations amounts to about R596 million, while the total cost of renting the film is R159 million. What is more, the RA Premyer SV was given exclusive right of selection and placement of advertising in time belonging to the company (180 minutes) with estimated discounts of 30 percent, as a result of which the agency envisions additional income in the sum of R273 million. In 1993, in the course of the implementation of the contract, at the fault of the RA Premyer SV, 27 minutes of the company's advertising time was not used, in connection with which it did not receive a sum of R205 million. However, for shifting the dates of the showing of the television serial in the period of the preelection campaign, the Premyer SV advertising agency suddenly demanded an additional 69 minutes of advertising time, which could bring it income on the order of R393 million. Despite the fact that this violation was the result of "force majeure" circumstances and was associated with the necessity to implement Edict of the President of the Russian Federation of 29 October 1993 No. 1792, the company unconditionally satisfied

the claims of the agency. In addition, it paid for the services of the Ministry of Communications of Russia in the amount of R57 million for actually used advertising time.

The contracts of 7 October 1993 were signed on these very conditions on behalf of the company by V.V. Lazutkin, the deputy chairman, with the same RA Premyer SV for showing the television serials "Don Ogast," "Streets of San Francisco," and "Wild Rose," 225 episodes all told.

Only four television serials out of more than 100 films acquired by the Cinema Program Studio in 1993 were involved in the audit, and the loss to the company will total more than R12.3 billion, which basically goes into the income of the RA Premyer SV.

With the connivance of the leadership of the RGTRK Ostankino, the activity of the commercial enterprises that were established by subdivisions of the company was allowed to drift. According to the status at the beginning of 1994, the founders did not have data available on the number of enterprises and the sums of payments submitted to their charter fund. Incomes from the activity of the commercial structures are not coming to the company.

During the audit of the RGTRK Ostankino, an examination was made of the television company VID, the Intervid corporation, the Television Technical Center, the enterprises Vzglyad, Telechannel 2X2, TV Service, Cooperation, and a number of others that are directly associated with television and radio broadcasting and that cooperate with the company.

It has been established that individual enterprises are indebted to the company for the payment of services, and cases of nonpayment of taxes were also disclosed. In accordance with legislation in force, they were charged with additional payments to the budget for a total sum of R1.1 billion.

The question of the conduct of editing-publishing activity in the issuance of a television and radio press product has not been decided. A dispute of the leadership of the company and the editorial offices of the newspaper SEM DNEY, and the journals KRUGOZOR, KOLOBOK, and TELERADIOEFIR that are part of its structure, has been going on for practically all of 1993 with the joint-stock company RTV-press.

Court examination of the complaint of V.I. Bragin, former chairman of RGTRK Ostankino, continued for almost a year. In addition, the Higher Court of Arbitration handed down several judicial decisions. At the present time the statement on filing a protest was recalled from the court by A.N. Yakovlev, acting chairman of the company. The dispute has remained unsettled, although the State Committee for Management of State Property of Russia illegally adopted a directive of 31 December 1992 No.1313-r on the creation of RTV-press in the form of a joint-stock company

of the open type with the right of subsequent increase of the authorized capital by means of additional issuances of stock. The State Committee for the Management of State Property of Russia, not being a founder of the newspaper SEM DNEY, and the journals KOLOBOK, KRUGOZOR and TELERADIOEFIR, did not have the right to be in charge of them, and also to establish, as envisioned by Directive of the Government of the Russian Federation of 2 December 1993 No. 2171, an enterprise of a mixed form of property. The collectives of the editorial offices of the indicated publications, awaiting a final decision, were idle; however, about R110 million of budget resources were expended on their maintenance.

The printing equipment of the Berthold firm, costing about DM2 million, was bought in January 1992 for resources allocated by the Ministry of Finance of Russia at the request of Ye.V. Yakovlev (former chairman of the company), allegedly to reequip the television apparatus, was transferred to the TOO [limited responsibility company] RT-press, and afterwards—to the joint-stock company RTV-press. From the moment of acquisition, this equipment has been on the balance sheet of the company, and the sum of deductions for depreciation totaled R28 million for 1993 alone.

Contractual discipline is at an extremely low level. During 1992-1993 no procedure was established in the company for concluding contracts, and no record of them was maintained. In the past year the main personnel directorate of the company disclosed 115 unregistered contracts; however, it was not until August 1993 that an order was published on the introduction of a single register of legal documents. Frequently, contracts in behalf of the company are signed by managers of its structural subdivisions who do not have the appropriate authority; contracts are often drawn up without juridical study, they do not contain conditions that regulate the responsibility of the parties and the effective dates, they do not establish the procedure for their cancellation, and they frequently are of a declaratory nature.

Up to the present time, the RGTRK Ostankino has not concluded a contract between the company and its main partner—the Television Technical Center. The main editorial board of the musical broadcasting studio Radio-1 frequently concluded commercial transactions without their written formulation. On 5 July of last year A.L. Razbash, former director of the creative arts association Eksperiment, now the deputy chairman of the company, concluded a contract on behalf of the RGTRK Ostankino with the television company VID for the production of the Capital-Show television program "Field of Miracles" in 1993, without having the power of attorney to do so. According to the status on 1 February of this year, the television company VID has an indebtedness to the company of R52 million, and another R70 million had to be exacted in the form of fines for delayed payments. This program continues to be shown despite the absence of a contract and unpaid debts.

It has been established that some contracts not only do not protect the economic interests of the company but are simply not profitable for it. Thus, on 7 October 1993 the children and youth programs studio of the RGTRK Ostankino concluded a contract with INMAK, a joint-stock company of the closed type, and the Association of Assistance to the Development of Children's Television (limited company), for the showing of advertising subjects of the joint-stock company INMAK. At the same time, the transfer of monetary resources is supposed to be made, according to this contract, to the current account of the association, which is not part of the company's structure.

A contract concluded on 12 July 1993 between the RGTRK Ostankino (former deputy chairman Yu.N. Bandura) and the firm Jeronimo LTD concerning cooperation in the purchase of rights to show film products of Western Europe and the United States, and also the organization of their showing on company channels, envisions the payment of income from advertising during the showing of films to the current accounts of foreign firms.

In accordance with a "Supplement to a Gentleman's Agreement" drawn up on 24 July 1993 by Yu.N. Bandura, former deputy chairman of the RGTRK Ostankino, and Mr. I. Amors, president of the enterprise Ostankino Development, 100 minutes of advertising time will be transferred from this enterprise to the company at a price of \$3,000. Thus, the enterprise sold the company a "commodity" that it did not own officially. Nevertheless, on the instructions of the former leadership of the RGTRK Ostankino (V.I. Bragin and Yu.N. Bandura), in October 1993 the company transferred \$300,000 to the account of this enterprise.

In 1993 the RGTRK Ostankino (former chairman V.I. Bragin) concluded a contract with the TOO Kamaka on the rerecording by the firm of television materials with the subsequent sale of the right of showing them by commercial television companies. In the period from July to December of 1993, the TOO Kamaka transferred to the company 360 cassettes with 432 programs from which 382 were taken from the State Television and Radio Fund. The firm received R25 million for this work; i.e., resources were spent on the rerecording of programs already available in the state fund. To the present time, the company is not receiving income from this contract.

The RGTRK Ostankino also does not have any kind of profits from a transaction concluded back in 1992 with the American corporation U.S.S.U. Arts Group, which was granted the exclusive right to the use of recordings of productions of classical music stored in the archives of the State Television and Radio Fund.

On 16 January 1994, the "Aleksandr-Show," or "30 Years Ago" program, went on the air. Of the R67 million that were spent on the creation of this program, R40 million were allocated to the enterprise AMiK by the

leadership of the company at the request of A.L. Razbash, who was at that time director of the Eksperiment association. The letter reported that the program will represent a story about television's past and present, but not the traditional anniversary celebration, and, in addition, there would be no commercials. But in reality, almost eight minutes of advertising time was set into the program. Even with a minimum estimate of the cost of one minute of advertising amounting to \$12,000, this firm should receive an income of \$96,000. But the company incurred only the expenses, inasmuch as, according to the contract concluded with the AMiK firm in 1993 on behalf of the RGTRK Ostankino by I.M. Podzigun, who was then the deputy director of the Eksperiment creative arts association, no stipulation on advertising time for the company was made.

The reorganization of the Russian television system and the emergence in this connection of several state and independent television companies entailed serious problems that required their resolution on a legislative basis. Thus, the television companies entered into a competitive battle between themselves for an expansion of the viewing audience, often not taking the interests of the viewers into account. For example, the first channel of RGTRK Ostankino traditionally shows the main part of "Novosti" at 2100, and the All-Russian State Television and Radio Company on the second channel starts to show the next of the "Santa Barbara" series, or the rubric "Detective on Mondays." But during the Olympic Games in France in 1992 these companies transmitted the opening and the closing of the games simultaneously.

The fact that the election blocs were in an unequal position during the preelection campaign can also be tied to the reorganization of state television. Thus, the blocs Civic Union in Behalf of the Stabilization of Justice and Progress, the Liberal-Democratic Party of Russia, and the Civic Club used more than 70 minutes of air time each, paying for these services in a timely way. At the same time, the Party of Russian Unity and Accord and the Democratic Party of Russia blocs and others have not yet been able to make payment even for the 14 and 24 minutes respectively of air time granted them.

Up to the present time, a founders' contract has not been concluded between the Government of the Russian Federation and the RGTRK Ostankino that should regulate the mutual relations between the founder and the company, which is envisioned by the statute on the Russian State Television and Radio Company Ostankino approved by Edict of the President of the Russian Federation 2 April 1992 No. 421 "On Guarantees of Information Stabilization in the Activity of the Russian State Television and Radio Company Ostankino." The lack of a unified concept in the sphere of state television and radiobroadcasting has led to the direction of activity of the company being basically determined by the position of its leadership, but often also by the broadcasting studios themselves.

The former leadership of the RGTRK Ostankino mainly paid attention in its activity to structural changes, without taking the necessary measures to reduce losses from the republic budget. Thus, analysis of the orders adopted in 1993, when V.I. Bragin was chairman of the company, showed that about 90 percent of them constituted orders on changing the structure and personnel lists of the subdivisions. Continuous changes led mainly to superfluous numbers. Thus, in the television studios in 1993, given a reduction in the volume of broadcasting in comparison with 1991 of almost one-third, personnel were cut by only 17 percent. In addition, the company not only reduced the volume of broadcasting but also lost program quality.

With the establishment of the RGTRK Ostankino, by Edict of the President of the Russian Federation of 27 December 1991 No. 331 "On the Television and Radio Company Ostankino," all associations, enterprises, and organizations that were liquidated by the All-Union State Television and Radio Broadcasting Company located on the territory of the Russian Federation were included in its structure. In the last two years, with the participation of the former leaders, the company has been deprived of practically all its buildings, equipment, and other property, but the main thing is the Television Technical Center. As a result of the reorganization conducted, the balance sheet of the RGTRK Ostankino now has only half of the production area in building 25 on Pyatnitskaya Street. Because of lack of premises the company was forced to rent an area in the Television Technical Center in building 12 on Koroleva Street.

For the purpose of eliminating the noted deficiencies, it is advisable to send the auditing materials to the leadership of the RGTRK Ostankino for the adoption of measures.

'Negative Vibes' Cost News Anchor Airtime

944F0537A Moscow GOLOS in Russian
No 11, 21-27 Mar 94 p 10

[Article by Georgiy Ovcharenko: "'Telepaths' at Ostankino Television and Radio Company Accused Irina Mishina of 'Negative Vibes' and Removed Her From Broadcasts. Jurists See This Escapade As Arbitrariness and a Violation of Human Rights"]

[Text] *Fragile, with huge green eyes—truly a "creature of air," as newspaper reporters nicknamed her—she asked for the third time: "If a television anchor disappears, it means somebody wants it, does it not?"*

The history of her excommunication from live broadcasting is so incomprehensible, paradoxical, simply stupid, and mean that it all looks like the theater of absurd.

For the uninitiated, I will recount the chronicle of the scandal.

On 4 October of last year Irina Mishina, an ITA [Independent Television Agency] commentator and

"Novosti" program anchor, was hit on the head by a truncheon brandished by a man in field fatigues. Either he did not recognize the "creature of air" or he was so stoned from the blood spilled the day before that he was no longer aware who he was hitting. Despite the pain, Irina covered the cuts with makeup and the next day broadcast live, anchoring the "Novosti" as precisely and professionally as usual.

The trauma turned out to be more serious than the journalist had suspected, however. A week later she fainted in the middle of the street. Only on 8 December did doctors permit her to resume work. Returning to Ostankino, however, she learned that during her illness ITA Director Boris Nepomnyashchiy and Editor-in-Chief Oleg Tochilin had decided to remove her from direct broadcasting and the anchor job at "Novosti." At first she did not believe it, especially considering that the decree (which, by the way, nobody has seen to this day) was not made available to her. She attempted to explain. Nepomnyashchiy told Irina in the presence of witnesses that she allegedly exuded a "bad aura and negative vibes, which negatively affect her work." The director also blamed Mishina for a large number of newspaper materials about her. She was making herself a "star," he said.

That the accusations are laughable is obvious. Can someone please tell me according to what parameters and instruments does Nepomnyashchiy determine the aura of his subordinates? And what this has to do with the work of a television commentator altogether?

Meanwhile, according to Ostankino's sociological services, Mishina, with her "bad aura" and "negative vibes," even after not doing live broadcasts for four months, securely maintains her rating among the best anchors of information and political programs. I personally saw the results of the poll in which television viewers rated Irina fourth, placing her ahead of A. Lyubimov, A. Politkovskiy, S. Medvedev, and other popular names in television. "When Irina Mishina is on the air, it is like the sun comes out in the apartment," a cable from one of her viewers read. Such is the aura of this anchor removed from live broadcasts.

But perhaps the "creature of air" has indeed been struck by "star syndrome" and her colleagues refuse to work with her? Why then are they, of all people, calling the newspaper and asking that Irina be protected from bureaucratic arbitrariness?

No, no matter how you look at it, there are loose ends in the statements of the high-ranking amateur telepaths from ITA. But there has to be a real reason why Mishina has been excommunicated, does there not? Together with her, I attempted to validate several of my own versions.

The first: political motives. As long ago as 23 September, out of the blue, MOSKOVSKIY KOMSOMOLET called Mishina an "anti-Yeltsin commentator" and predicted that she would soon part with television viewers.

"Nonsense!" Irina rejected this version outright. "I have no political preferences. A journalist can have only one conviction: the truth, and only the truth."

This, by the way, was confirmed by the weekly SOBESEDNIK, which said this about Mishina: "She is not a flaming democrat but certainly not a conservative. She takes a middle-of-the-road, calm position that is shared by the majority of the population." But perhaps this is precisely the position that is not to the liking of the ITA leadership?

Second version: an unsociable, quarrelsome personality.

"Translated from Greek, Irina means peace. This is the way I am in real life," says Mishina. Then, after a pause, she confesses: "When it comes to work, however, I have rather strict criteria, and when I see unprofessional work I do not keep my mouth shut."

That, of course, is true. The crisis Ostankino television is going through is painful for Irina. In her opinion, Ostankino is currently taking a back seat to NTV [Independent Television] and the Russian Television Channel; the quality of the "Novosti" program has also declined. She is not keeping her opinion secret: In summer last year she published an article on this topic in SEGODNYA under the eloquent title "News Inside Out." Her opinion was shared by many television viewers: While in the fall the "Novosti" rating was 70 percent, by spring it had plunged to 23 percent. What boss would tolerate a subordinate whose public criticism may cost him his job?!

In the conversation with Irina, however, another version came out, which seems most convincing to me. ITA director Boris Nepomnyashchiy once suggested three stories for "Novosti" which were a poor disguise for hidden advertising. In her habitual manner, Mishina told the director her opinion on the subject after the broadcast. Moreover, she gave an interview to MEGAPOLIS-EKSPRESS. This probably was the beginning of her troubles with the ITA leadership.

[Ovcharenko] Irina, have you tried to see Aleksandr Nikolayevich Yakovlev, who is acting chairman of the Ostankino television company?

[Mishina] Of course. I wrote a memorandum to him, but he has not found the time to see me.

[Ovcharenko] Do you go to work?

[Mishina] I do. I have not been fired—only removed from live broadcasts. I do voice-over commentary; a few days ago, for the first time in the last two months, I was assigned to film a story for Consumer Rights Protection Day. [end Mishina]

An interesting detail: This story was first assigned to a 20-year-old student-intern who, unlike the commentator Mishina, has a permanent desk and a telephone. The student's name is Konstantin Tochilin. As the reader

may already have guessed, he is the son of the editor in chief. Vladimir, B.V. Nepomnyashchii's son, has also found a home at ITA.

[Ovcharenko] Were you insulted by this assignment?

[Mishina] What do you think? I miss the work, though, and I will do the story. Probably no worse than Kostya would have.

[Ovcharenko] You now have a lot of free time. How do you spend it?

[Mishina] I work. Conceive new programs. One is practically ready. It could be a program unique for our television. Together with Andrey Plakhov, the producer of "Before and After Midnight," we thought it through down to the smallest detail. There is a team that sees only me as the anchor of this program. But nobody listens to us; nobody needs my know-how. You see, I wanted to see Yakovlev not to cry on his shoulder but to offer him an innovation. After all, he did give Politkovskiy and Lyubimov a chance, did he not? Me, however, he did not want to talk to. A pity!... [end Mishina]

She is indeed a "creature of air." But not because she weighs 48 kg and resembles the Snow Maiden in appearance. No, it does not look as if she would "melt" in the hottest situation. Irina has been an independent being since childhood; she has always earned her own living, and she is considered a strong personality. N. Tarayan's material in the weekly TV-REVIEW, which stated that Mishina had attempted to commit suicide, is slander, according to Irina. She is a "creature of air" because live broadcasting is not a narcotic for her—it is the air without which she cannot live. So she carries in her purse a sizable notebook which is already bursting with ideas and proposals nobody wants.

It is an absurd situation. Irina is loved and supported by television viewers; she wants to, and can, do highly professional work; but she is not even given a chance to present her side. After recovering from her illness, she spent three hours waiting in Oleg Tochilin's reception room for the sake of a three-minute conversation which resulted in nothing. Perhaps the court may change the ITA leadership's position?

No, Mishina herself was not appealing for court justice. Tatyana Kofanova, director of the De-JureK company, found her after reading the press materials and literally pushed Irina into signing a contract on protection of her rights and dignity. This is how the court complaint "in the interests of citizen Irina Anatolyevna Mishina" on the "unwarranted actions of officials" came about. In Kofanova's opinion, everything that is happening to Irina is pure arbitrariness, a violation of labor laws and human rights. But is it worth elevating the conflict all the way to the court?

I pose this question to you, Aleksandr Nikolayevich. You are known as a man of truly democratic convictions.

Perhaps it would make sense to first listen to the person? After all, Irina is longing to work, not complain...

P.S. By the way, Aleksandr Nikolayevich, you may also invite Tatyana Vedeneva to come over at the same time. Yes, she left Ostankino of her own volition. But only after an action had been initiated to move her to a position as editor-consultant without the right to work on live broadcasts. In essence, she was forced to leave, as was Irina Mishina. Also because of a "bad aura?"

Meeting on Nonpayments to Energy Sector Held

944F0540A Moscow RABOCHAYA TRIBUNA
in Russian 5 Apr 94 pp 1, 2

[Article by Gennadiy Shilin: "The Nonpayments Crisis. Nerves of Energy Sector Workers Like Taut Wires"]

[Text] "Close to critical" is what the president of the RAO [Russian Joint-Stock Company] YeES Rossii, Anatoliy Dyakov, called the condition of the Russian energy sector last Saturday when speaking at a conference of directors of regional energy systems and representatives of industrial enterprises. Also attending the conference were officials from the Ministry of Finance and the Ministry of Economics of the Russian Federation.

The nonpayments crisis, which by 19 March 1993 had exceeded 4.5 trillion rubles [R], the decline in the volumes of repair and construction work because of the lack of financing, which is unprecedented in the history of the branch, the catastrophic reduction of fuel reserves, and the chronic interruptions in their deliveries because of those same nonpayments have led to a situation where, as the RAO president stated, "Unless extreme measures are taken within five months at most, a cataclysmic destruction of Russia's electric energy sector will begin."

These and other problems touched upon during the course of the conference are not new—the press and television have devoted enough attention to them recently. There have been serious attempts to figure out the real state of affairs and, unfortunately, there has also been a desire on the part of certain politicians and journalists to present energy sector workers in the eyes of the republic as being almost to blame for the crisis that has gripped the country's economy. And in this context the conference in the Ministry of Fuel and Energy had an extraordinary task. Perhaps it could be considered to be the first serious attempt on the part of professionals of diverse but interconnected branches of our economy to find not the "extreme" but a way out of a difficult situation.

"Of course the energy sector is profitable, as is the entire fuel and energy complex of which it is a part," stated Fuel and Energy Minister Yuriy Shafranik. "After all, 62 percent of the revenue side of the state budget is provided by the fuel and energy complex. The crisis of the

energy sector is a result of the overall decline of production. But there are a number of circumstances that exacerbate the situation that has developed."

Among the main ones the minister mentioned the problem of nonpayments and the absence of a strict approach on the part of the Ministry of Finance and the Ministry of Economics toward industrial consumers of electric energy who violate financial discipline, the poorly developed system of rates, the tax policy, which so far does nothing to encourage production, and the imperfect legislative base regulating processes in the branch.

"We are working hard on these problems," said Deputy Finance Minister of Russia Aleksandr Samusef in his speech. "In order to solve the nonpayments problem it is extremely necessary even in the near future to work out a mechanism whereby the enterprises will receive money for the products they release. To do this we must expand their rights and capabilities of collecting debts."

As we know, during the years of perestroyka and the "post-perestroyka period" there was no shortage of attempts to "cure" the Russian economy through the implementation of various "programs," "concepts," and "models." The electric energy sector got its share as well. The press, and particularly RABOCHAYA TRIBUNA, has already written about the fact that the Ministry of Finance distributed to the local regions a document which originated from within it (as a draft edict from the president of Russia), according to which it was planned to redistribute a block of shares of the recently created joint-stock company YeES Rossii. In essence they were planning an illegal revision of a joint-stock company that had already been created, directly in violation the edicts of the president of the Russian Federation Nos. 923 and 1334 on the creation of joint-stock companies, which would lead to fragmentation of the country's unique consolidated energy complex into small regional systems.

"Why does everything have to be divided up?" asked General Director of the Dalenergo Joint-Stock Company Yuriy Basharov in his speech. "We do not need fragments today, let us complete the work on the mechanism we have been creating for two years." One can question the acceptability of various viewpoints—of the Ministry of Finance or of the energy sector workers—but one cannot but agree with the reply of the Minister Yuriy Shafranik regarding the proposals of the Ministry of Finance:

"When the position of the Ministry of Finance is clear to itself but incomprehensible to thousands of practical specialists—this is dangerous, and it is worth thinking about. The effectiveness of the energy sector comes not from the creation of joint-stock companies but from other mechanisms.

"During the long years of existence and continuous operation of the branch, all of us, including energy sector workers themselves, have failed to think about such

categories as energy-intensiveness of industrial production or the proportion of electric energy in the price of the final product; problems of economizing on energy basically amounted to sanctimonious appeals: 'When you are through working—turn off your knife switch' or 'When leaving, turn off the lights.'

"Why, for example, do we use 400 kilowatt-hours of electric energy to produce a tonne of ammonia while in the West this takes 30-80?

"Why is the proportion of electric energy in the price of a tonne of aluminum only 15 percent here, but the branch is blamed for the sharp increase in prices of metal and, ultimately, for the loss of the positions of Russian producers of aluminum in the world market?"

"Energy sector workers are prepared to work and carry out their task under the condition that their primary immediate problems are solved," emphasized Anatoliy Dyakov, president of the RAO YeES Rossii, in his final statement. "This is necessary for Russia. The internal reserves of the energy sector are exhausted. Today we must, not in words but in deeds, document and carry out priority development of the electric energy sector."

Privatization of GAZ Auto Plant Disputed

944F0540B Moscow RABOCHAYA TRIBUNA
in Russian 5 Apr 94 pp 1,2

[Article by Vladimir Chernyshev, RABOCHAYA TRIBUNA economic observer: "Timely Topics. GAZ Will Not Raise Its Hand"]

[Text] *The serious passions seething in Nizhny Novgorod regarding the change in the procedure for privatization of the GAZ Automotive Plant could possibly open up new chapters in the Russian transition to the market. The collective has protested the "anti-plant" decision of the State Committee for Administration of State Property of the Russian Federation—to give the state a controlling 20-percent block of shares while the plant workers have to be satisfied with 15 percent.*

Yuriy Kulemin, chairman of the trade union committee, explains the position of the workers:

"We were simply deceived, because, according to the previously approved privatization plan, the state structures were to have owned only one out of 10 shares. Therefore before the adoption of the unfortunate decision, 120,000 of our engineers, specialists, and workers were quite satisfied with the role of being in charge with the right to a decisive vote. Now all of them intend to defend their constitutional right to manage their own property. As a first step we have appealed to the court."

It is clear that GAZ has become a desired object of privatization for many structures that intend to divide the single giant into parts. Now 430 modern Volgas come from the conveyor each day instead of 280. Last year alone the production of motor vehicles increased by 27,000. They are increasing the output of diesel trucks,

children's bicycles, washing machines, and other industrial products and they have filled orders for various kinds of military equipment. They have received 319 billion rubles [R] in net profit, which remains at the disposal at the enterprise, of which R189 billion has been invested in further development of production and the social sphere. Including about R60 billion which has been assimilated in the form of capital investments in modernization and reconstruction of production and preparation for series production of the high-class diesel 1.5-tonne GAZ-3302.

The automotive plant workers intend to transform their "automotive state" into a joint-stock company in the form of a powerful transnational corporation called GAZ which functions aggressively on domestic and foreign automotive markets. And the structure of the joint-stock portfolio, which balances the interests of the state and the producers, has given evidence to the birth of almost the first financial-industrial group in Russia. Effective the middle of 1994 on its basis in Nizhniy Novgorod there should arise a seat of stability and confident economic growth. After all, automotive construction means dozens of industrial enterprises, trade, transportation, service, banks, VUZ's [higher educational institutions], science, and many other things all bound together into a single unit.

The main guarantee of the feasibility of such plans, let us recall, was that the association could retain the controlling block of shares. But frequent examples of "seizure," whereby maneuvers with the transfer of blocks of securities from state into private hands have led to a loss of independence by large Russian enterprises, have forced the automotive plant workers to take defensive measures.

The Nizhniy Novgorod automotive giant organized a brilliant and instantaneous financial operation through its subsidiary firm GAZinvest. It organized the purchase of vouchers with money from the privatization fund for workers and pensioners, and the checks were turned over the GAZinvest. Waiting until, in keeping with Russian laws, the state put up 50 percent of the plant's shares for sale through auction, GAZinvest participated in the auction in keeping with the interests of the workers of the collective and the board of directors functioned smoothly as well.

Numerous partners from Moscow, St. Petersburg, and some of the other largest industrial centers of Russia helped the automotive plant to hold out. Now it would be impossible to sell out the flourishing plant no matter what happens. And this is where it all began.

The first round of artillery fire was directed at the plant by the State Committee for the Administration of State Property, which issued its January decision to establish a controlling 20-percent share for the state. The governor of Nizhniy Novgorod Oblast, Boris Nemtsov, sent the government of the Russian Federation a letter concerning violations of existing legislation when conducting the check auction for sale of shares in the GAZ

Joint-Stock Company. As a result there appeared a directive from the government to declare the check auction for the sale of shares in the GAZ Joint-Stock Company null and void.

Additionally, the government directive ordered all stockholders to "raise their hands" when voting for removal of the general director of the GAZ Joint-Stock Company, Boris Vidyayev, from the position he held. As is customary in such cases, the procuracy was given the corresponding instructions. In brief, thunder clouds hung over the automotive plant at the end of March.

It was almost impossible to get a call through to Vidyayev himself. He was busy with the production: conference calls, planning sessions, business meetings, visits to the shops...finally the general director picked up the receiver. He commented briefly on the situation:

"The accusations that were made are contrived and irresponsible. Any unprejudiced audit or legal investigation will confirm the legality of our actions, which were aimed at preventing the plant from being bought up by unwanted masters. The workers simply will not stand for such a turn of events. They are the ones who are now the owners of the joint-stock capital, which makes it possible for all of us to look confidently to the future with the hope of the rebirth of Russia."

Boris Vidyayev says that he anticipated such a turn of events and accusations of personal financial transgressions. Because he will have to take the first blow personally. In the bookkeeping office, in his words, everything is crystal clear and he himself is blameless before his workers and Russia. But his enemies have still decided to find criminal activity elsewhere. The plant, they say, has spent money on acquiring vouchers while the enterprise was late with its payments to the budget. Well, so what? If the deferment was permitted, it was permitted. The money went into the budget, but money likes to circulate. We must judge not those for whom the ruble is working, but those for whom it is a dead weight.

So far the Ministry of Industry of the Russian Federation has refused to comment on the situation, referring to the need to fulfill government directives. One of the workers, who asked that his name be withheld, said there were no charges against the current leadership of the Nizhniy Novgorod automotive plant and added that in Russia today enterprising and resourceful directors should be rewarded and not punished. Otherwise, there will be no rebirth.

In all probability subsequent events will take the most unexpected turn for all parties. Only the State Committee for Administration of State Property and the Nizhniy Novgorod governor's office have had their say in this story. Then the story went into the press with one-sided criminal overtones. Until the judicial investigation is over, the workers have sensibly decided not to raise an unnecessary fuss and to return to the shops.

I think they share the initial goals of privatization: To help the reborn Russia and not to destroy production that is already prospering and not to divide it into juicy morsels to be swallowed up by the sharks of international business.

So far nobody has heard the true voice of the collective of 120,000, the real owners. According to existing evidence the permanent body of workers and engineers intend to defend firmly and without compromise their right to be truly and not just apparently in charge. So far this is the only positive result of privatization and, possibly, new chapters in its history. When it is the working people who are interested in the preservation, growth, and flourishing of their property.

P.S. After this article was already prepared for the press we received the following report. On 25 March the High Arbitration Court of the Russian Federation adopted an affirmative decision regarding the complaint of the GAZ Joint-Stock Company: "On declaring the directive of the State Committee for Administration of State Property of the Russian Federation of 19 January 1994, No. 121-R, to be not in keeping with legislation and violating the rights and interests of the GAZ Joint-Stock Company which are protected by law."

As they say, the factories—to the workers, the land—to the peasants, and the law—to the people. On this we stand.

Independent Trade Union Appeal on Civil Accord

944F0540C Moscow *RABOCHAYA TRIBUNA*
in Russian 5 Apr 94 p 1

[Article by the organizing committee for preparing for and conducting 1 May measures: "The 1 May Holiday Will Always Remain with You"]

[Text] The FITUR [Federation of Independent Trade Unions of Russia] appeals to trade union organizations and workers of the country.

1 May is approaching—a day of workers' solidarity and protection of the rights of workers.

We are celebrating it in a difficult period in the life of the country. The broad masses of people are concerned about the unstable socioeconomic and political situation, the cataclysmic decline of production, and the growing unemployment. Voices of protest against the impoverishment of immense segments of the population and the grossest violations of the constitutional rights of people related to failure to pay wages for many months, the curtailment of social programs, and the outbreak of crime—these voices are becoming ever louder.

The president, the parliament, the government, and various sociopolitical forces are calling for Russia to achieve universal civil accord as the main condition for

the country's emergence from the deep economic and social crisis, in the name of stable movement toward a better life for us.

Trade unions of the FITUR support the idea of civil peace as the only way of avoiding a national catastrophe. We are convinced that the real path to this accord is an immediate and effective solution to the most critical social problems.

Based on the growing mass demands of the workers, we consider it necessary to adopt emergency measures which should provide for:

- an end to the decline of production through changing the tax policy, supporting the domestic entrepreneur, and solving problems of mutual nonpayments;
- a guarantee of full and prompt payment of wages with indexation according to the indebtedness;
- the adoption of a state employment program that prevents the threat of mass unemployment;
- security for citizens on a firm legislative basis.

We call for the trade union organizations, labor collectives, and all workers to support these demands.

Through active participation in the 1 May measures we will demonstrate the unity and solidarity of working people in their fight for their rights!

Results of Miners' Moscow Picketing Assessed

944E0681A Moscow *RABOCHAYA TRIBUNA*
in Russian 8 Apr 94 pp 1, 6

[Article by Viktor Ukolov: "What Miners Tried To Get in the Capital"]

[Text]

Voices From the Picket Line

At the Krasnopreskenskaya Metro Station passengers going out to the street were met with a rhythmical, incomprehensible, alarming clatter. It came from the White House, which was picketed by miners who came from all over Russia. The government is now located there.

The building was painted. Traces of shelling are no longer visible. However, all of it is surrounded by a solid fence made from reinforced concrete slabs. Only a passage was left at Pavlik Morozov Square. The crowd stood there. Robust fellows continuously banged their helmets against the iron enclosure. The following poster was above others: "President, Miners Will Not Die in Silence!"

This is for sure. In the morning, when the masters of the White House walked and drove to work, they were met with such an angry whistle that their nerves were strained. Some people will say: You cannot do this. And they will be right. However, these sloggers, whom the

government does not pay for their work and about whose safety in faces it is not concerned—if you are disabled, this is your personal problem—are much more right. They give it an evaluation the way they know how. To put it mildly, a negative evaluation.

General words are always just words. But every picketing miner has his own trouble, everyone separately is being strangled by the noose of the lack of money. As an example, several statements recorded into a dictaphone.

Mikhail Tarasevich, heading man at the Severnaya Mine (Vorkuta):

"Since December I have not brought any pay home. I am ashamed to be dependent on my wife for support. A loaf of bread already costs 670 rubles, 1 kg of meat (in fact, bones), 4,000, and a container of milk, 720. We skimp on everything. But my son, Zhenka, is 6 years old. What about him? In the kindergarten something still comes his way. However, the kindergarten is being closed—three have already been shut down. They say that there is nothing with which to feed the children. In our kindergarten, teachers, as a sign of protest, went on a hunger strike. A good price for reforms?

"And what is going on at the mine? Not a single sinking or mining machine was bought last year. Hence the frequency of accidents. Not long ago, again, someone's hand was torn off. Statistics know: Two lives, two deaths per 1 million tonnes of coal."

Vladimir Lyagostin, head man at the Dubrovskaya Mine (Tulaugol):

"I brought with me as proof a receipt from the accounts office (payroll). The state personally owes me 335,000 rubles. Imagine what the amount is for the entire mine and for all enterprises! It is no accident that many are idle. But then, where will the country get something for normal life?

"We are still working, although the mine is in a state of emergency. We have no timber or props. I have not received working clothes for 2 years. A lunch underground—this is your problem. I put a piece of lard in my bag—as far as bread is concerned, you can do without it.

"Recently, I sent my son, Nikolay, off to the army. He will be fed there. But I feel sorry for my parents, who are old people—they live in poverty. People no longer have any faith in the government."

Pavel Sidorov, link leader at the stoping face of the Chertinskaya Mine (Belovo):

"I have no idea how to feed my family. Money is now lent only at interest. I feel as though I am sinking deeper and deeper into the mud.

"I am also depressed by the fact that warehouses are overflowing with coal. Doesn't anyone need it? No, the reason is that railroad workers ask exorbitant rates for transportation.

"Recently, our colleague Viktor Vlasov was injured at work—he hurt his head badly. He has no money for medication!"

Vasily Lupin, head man at the Zapadnaya Kapitalnaya Mine (Rostovugol):

"Today there is one government and tomorrow, another. However, all of them now give preference to rogues and to commercial structures, not to those that are in faces. Not to those that lay down their lives there so that Russia does not freeze because of them. People in the White House should finally realize: They should work for us, not we for them!

"What we have come to! In the face there is no timber, no nuts, and no bolts. Earned money is not paid. I expected to buy a refrigerator with my 13th wages, but this is how I was cheated: The paycheck was stopped, but prices were doubled. I was left looking like a fool."

The Russian Committee of the Independent Trade Union of Coal Miners generalized miners' demands and presented them to the government. There is nothing supernatural in them: to pay off budget debts to the sector without delay, as well as to help to exact debts from consumer enterprises. Moreover, they must see the prospects at least for a year ahead.

The third point: Miners wanted to meet with President B.N. Yeltsin and head of the government V.S. Chernomyrdin.

And From the High Rostrum

The meeting, although not with the former persons, was held in a high-rise in Novyy Arbat, in Rosugol. Deputy Premier Aleksandr Shokhin and Labor Minister Genadiy Melinyan came to miners. Of course, Yuriy Malysh, general director of Rosugol, was also there.

A. Shokhin informed them about the decision adopted by the government; first of all, about money.

Plans are made to finance the sector during the first half a year in the amount of 3.4 trillion rubles; in April, 300 billion rubles every week.

Furthermore, an interdepartmental commission is being established for a permanent contact of the government with miners. Its first task is to propose a program for the sector's development, including improvement of unpromising mines and pits. All labor collectives must clearly visualize their tomorrow. Finally, the government promises to adopt documents providing for more significant measures of support for the fuel and energy complex.

Aleksandr Nikolayevich maintained that this package of measures was intended for the sector's serious stabilization. However, this was not enough for miners. They demanded guarantees that tomorrow they would not be left again at the mercy of fate. They have already been deceived so many times!

"Guarantees are needed?" A. Shokhin asked again. "I am making a firm promise: If the government breaks the promises it made, I will resign!"

And what, did the audience freeze? Did it burst into applause or humbly fall silent? Nothing of the sort! Who cares today about someone's resignation? Will this improve our lives?

That is why miners began to chant:

"Yeltsin! Yeltsin!"

A break was announced. Seemingly, the ministers went to telephone Boris Nikolayevich. They left.... for good.

An hour later leaders of the Russian Coal Trade Union appeared at the table. They announced: Yeltsin promised to meet with miners in May. They proposed that the terms of truce with the government be accepted temporarily, but, if it violates them, that an all-Russian miners' strike be started immediately. They demonstrated their strength—workers' solidarity—very convincingly.

Incidentally

The picketing of the White House by emissaries of labor collectives of the nuclear industry began yesterday.

RF Metallurgy Committee Deputy Chairman Interviewed

944E0681B Moscow *RABOCHAYA TRIBUNA*
in Russian 8 Apr 94 pp 3, 5

[Interview with Vsevolod Generalov, first deputy chairman of the RF Committee on Metallurgy, by Viktor Andriyanov, correspondent of *RABOCHAYA TRIBUNA*; place and date not given: "Hot Conversion in a Hot Shop"]

[Text] We introduce the person we interviewed.

Vsevolod Aleksandrovich Generalov began his labor activity as a worker at the lead-zinc combine in Ust-Kamenogorsk. He graduated from the Metallurgical Faculty of the Kazakh Polytechnical Institute. He was an operator, a smelter, a furnace attendant, a foreman, a senior foreman, and a shop chief. In the hot shop he was molded not only as a production manager, but also as a scientist. Vsevolod Aleksandrovich headed the Scientific Research Institute of Nonferrous Metallurgy and was elected general director of the Tsvetnaya Metallurgiya Scientific Production Association. He is candidate of technical sciences.

In the evening, on the eve of our meeting, I saw in the first television program the frames of an old newsreel: the construction of Magnitka's first blast furnaces. Against their background the affectedly cheerful voice of a huckster was selling Magnitka's shares.

I devoted several years of my life to this city near the Ural River and to the celebrated metallurgical combine. The out-of-town editorial staff of *KOMSOMOLSKAYA*

PRAVDA worked there during the construction of the "2500" cold-rolling mill. We published *MALAYA KOMSOMOLKA*. A cast plaque on a pedestal—Shop imeni *KOMSOMOLSKAYA PRAVDA*—is in memory of our work.

Viktor Filippovich Tomchuk, one of Magnitka's first volunteers, often dropped in on us, the out-of-town editorial staff. He was building the railroad to the future combine, then worked in its shops, and at the end of the 1960's, when we became acquainted, he spent every leave at Magnitogorsk's new construction sites. He "took part in unpaid mass work," as Tomchuk liked to say. With what shares can he be paid for all those unselfish years? And carpenter Isayev, who, according to his proud testimony, went through all Magnitka's mills? And thousands of their contemporaries—founders of the most powerful metallurgical combine in the world?

Will the same that has occurred with Uralmash, with the Gorkiy Motor Vehicle Plant, and with the industry's other giants, which are now being pulled apart, not happen with Magnitka?

"Magnitka," Vsevolod Aleksandrovich, having heard my tirade, said patiently, "is one of the few enterprises, part of the shares of which, in accordance with the government decision, remains under federal ownership."

[Andriyanov] What part?

[Generalov] A total of 22.3 percent. In other joint-stock companies—in the sector 75 percent of the enterprises have already been transformed into joint-stock companies—no blocks of shares remain under federal ownership.

After a closed subscription is conducted among members of labor collectives, where 56 percent of the shares are bought out, the remaining 44 are sold on the securities market, including 29 percent of the shares, at voucher auctions.

The value of enterprises was determined at the prices of 1 July 1992, incidentally, like the nominal value of the voucher. Therefore, I share your alarm: In practice, enterprise funds are being distributed through voucher auctions. In many cases what workers and engineers acquire is much less than the share that falls to the buyers-up of vouchers.

[Andriyanov] It happens that vouchers are brought in bags.

[Generalov] They are not always bought up by those that participate in voucher auctions. Therefore, fights, and by no means of local significance, often are going on there. And, seemingly, quite unexpectedly the control block of shares of key enterprises passes to strange hands. How many criminal incidents with directors and other workers of enterprises, if their positions did not coincide with the interests of new owners, have already occurred!

Foreign firms often participate in voucher auctions through figure-heads. They do this not always in order to invest funds in production development. Interest in the elimination of a competitor on Russian and world markets is not ruled out.

[Andriyanov] In order to solve problems of reconstruction and development, many of the sector's enterprises need state support.

[Generalov] Now, according to the new privatization program, from 25.5 to 51 percent of the shares of enterprises in a number of sectors can remain under federal ownership for 3 years. Unfortunately, plants of the metallurgical complex did not get on this list.

Enterprises acutely need the block of shares, which would remain under federal ownership, during the establishment of financial-industrial groups and holding companies. In this case shares are the tool for the combination of the interests of enterprises and realization of joint investment programs. Later the sale of shares of such associations is possible at investment, not voucher, auctions, the winners of which will invest real funds in the development of enterprises.

[Andriyanov] Information on protests by metallurgists in connection with the transfer of part of the shares of nonferrous metallurgical plants to the Roseltrans Company has appeared in the press. What is the essence of the conflict?

[Generalov] In a number of metallurgical enterprises, in accordance with the directive of the State Committee on the Administration of State Property, it was proposed that the block of shares temporarily remaining under federal ownership be transferred to the Roseltrans Joint-Stock Company, which was being established. What is Roseltrans?

Let me try to figure it out. This is a company, which intends to produce electric locomotives. However, what does the Norilskiy Nikel Concern have to do with it? Or the Krasnoyarsk Aluminum Plant? Or the Kolchugino Plant for the Processing of Nonferrous Metal? Or the Gayskiy Ore-Dressing Combine, which received an instruction to transfer part of the shares to the authorized capital of Roseltrans. This combine mines ore and produces concentrates for nonferrous metallurgical enterprises. It would be logical to establish an association of enterprises connected through technological cooperation.

[Andriyanov] Why holding companies and financial-industrial groups are being established slowly in the sector?

[Generalov] This is not quite so. Plans for the establishment of a number of financial-industrial groups and holding companies in metallurgy have now been prepared. A holding company, ALKUR, was established on the basis of joint-stock companies of the aluminum industry in Sverdlovsk Oblast. The formation of large

companies envisages the participation of consumers of metal products. A pilot project for the establishment of financial-industrial groups in the aluminum industry is being prepared.

In metallurgy the establishment of financial-industrial groups and holding companies is more necessary than in other sectors. First, in order to maintain intrasectorial technological cooperation ties from ore mining to the output of finished metal products. Second, the consolidation of material and financial resources will provide opportunities for the modernization of production and for a better utilization of production capacities.

However, existing, including antimonopoly, legislation limits these opportunities.

[Andriyanov] Vsevolod Aleksandrovich, precisely in what?

[Generalov] People say that monopoly is arising. However, all over the world large corporations operate in metallurgy—in ferrous metallurgy and in aluminum, copper-nickel, and other subsectors. The concept of "natural" monopoly, to which metallurgy pertains, exists there. This is due to the attachment to ore bases and to the specific technological features of production. The establishment of large conglomerates and corporations, sometimes with the participation of the state, makes it possible to efficiently utilize natural resources, to successfully compete on the foreign market, and to establish a strong frame for the national economy.

Our competitors abroad are increasing production and capturing markets, while Russian metallurgy has reduced the production volume by 40 percent. Not only the drop in demand, but also the rupture of economic ties, has had an effect. The situation cannot be worse.

[Andriyanov] Russia has already fallen back to fourth place in the world in steel production.

[Generalov] Russia's proportion in world steel output in 1993 dropped from 9.3 to 8.0 percent. Japan holds first place—99.6 million tonnes. China has moved up into second place—88.7 million. Then there is the United States—87 million.

[Andriyanov] However, your metallurgy has begun to lag not today?

[Generalov] Of course. For many years it developed extensively. Capital investments were allocated mainly for an increase in production volumes. Obsolete and worn out equipment remained there. For years the coefficient of fixed capital replacement was 0.3 to 0.4. This is lower than the technically and economically substantiated level by a factor of 3 to 4. Now more than 60 percent of the steel and one-half of the rolled metal products are produced on antiquated equipment.

[Andriyanov] Where are we going?

[Generalov] Without urgent measures for the retooling of metallurgy, protection of the domestic market, and regulation of the rise in prices of energy resources and transport Russian metallurgy will cease to exist.

[Andriyanov] However, we are advised to buy metal, like grain, abroad. They say that this will be cheaper.

[Generalov] This is totally unjustified economically, not to mention the fact that national security cannot be guaranteed without its metallurgy. For example, in order to import 10 million tonnes of rolled steel products, 3.5 to 4.0 billion dollars will be needed. On the domestic market the same quantity of rolled metal products can be bought for 600 to 700 million dollars.

U.S. experience is also significant. About 20 years ago America made an attempt to orient itself toward the import of metal products, abandoning large financial investments in the modernization of its own metallurgy. However, even with its vast export opportunities the United States was forced to return to the revival of its own metallurgy on the latest technical basis. It engages in it very successfully. Steel output in the United States, having dropped from 103.8 million tonnes in 1980 to 67.8 million tonnes in 1985, began to grow again.

[Andriyanov] As is well known, the Government of the Russian Federation adopted the Federal Program for the Retooling and Development of Russia's Metallurgy designed until the year 2000. RABOCHAYA TRIBUNA discussed it in detail.

[Generalov] We are grateful for this to the newspaper. There is no modern state without metal. The consumption of finished rolled metal products and steel pipes is sharply declining in Russia. At the same time, metal products, which ensure the vitality of the state economy, remain unclaimed. They include transport metal, rails, and wheels (a 30-percent reduction in consumption), pipes for gas lines and wells (30 percent), bearing steel (40 percent), and cables (20 percent). The consumption of nonferrous metals is being reduced.

[Andriyanov] As far as I know, in our country the per-capita consumption of aluminum is one-tenth of that in the United States. At the same time, we are reducing aluminum production by 500,000 tonnes in 1994. How to understand this?

[Generalov] We are being forced out from the foreign market, which we have barely entered. They say that, as a result of the increase in the export of aluminum from Russia in recent years, its price has dropped sharply. However, this is only part of the truth. Aluminum production has increased in a number of countries and the "credit" for the decline in the prices of this metal is joint.

[Andriyanov] Discriminatory practice with respect to Russian producers continues on the world market. Nevertheless, metallurgists have been able to increase the export of foreign metals.

[Generalov] The export of ferrous metals has doubled, totaling 3.5 to 4 billion dollars. One-half went to Asian countries, 33.9, to Western Europe, and 4.9 percent, to America. The share of finished products has increased in the export structure.

The export of nonferrous metals has declined, totaling 2 billion dollars, that is, half a billion less than in 1992. The reduction was due to the rise in prices of energy resources and fuel in the second half of 1993. In the fourth quarter the Government of Russia revised export duties, which made it possible to partially restore the efficiency of the export of metal products.

On the whole, however, only 10 to 15 percent of the domestic metal products can compete on the world market. And so, there is no end of the work to be done here.

FCS Considers Terrorist Threat to AES's

*PM0104113394 Moscow IZVESTIYA in Russian
1 Apr 94 p 2*

[Igor Andreyev article: "If Terrorists Capture an AES, There Will Be No One To Liberate It"]

[Text] The collegium of the Federal Counterintelligence Service [FCS] (which, we would remind you, was set up last December to replace the abolished Ministry of Security) devoted its first session specifically to the security of Russia's strategic installations. Among other things the problem of nuclear electric power stations [AES's] was vociferously discussed in some alarm since the FCS thinks that they may fall prey to criminal, terrorist encroachments.

In the opinion of Colonel Leonid Semenov, a leading FCS expert and head of a Strategic Installations Directorate section, the first symptoms of trouble with crime at AES's appeared in the eighties. As was said at the time, "offices" received letters from personnel at the Kursk and Novovoronezh AES's and some AES's on Ukrainian territory. For all their differences, the messages boiled down to one thing: If you don't solve my problems (housing, and so on), I will not spare myself. I will blow an AES to kingdom come. Inspection of the "complaints," Semenov said, showed that the writers were suffering from psychological disorders.

The FCS believes that, since the early nineties, the socioeconomic preconditions for attacks on AES's have been compounded by political ones. According to the latest figures, which have not however been confirmed by documentation, extremists from the Ararat Valley made threats against the Armenian AES, while the most rabid separatists in Chechnya seem to have threatened the Balakovo and Kursk AES's. The Lubyanka believes that both groups saw the AES's as a potential means of putting political pressure on the Union and Russian authorities.

In Col. Semenov's view, there is an equal danger from arbitrary actions by AES personnel trying to get the

government to resolve various social problems. Like, for instance, the hunger strike and picket of the Kursk AES this March by staffers protesting nonpayment of wages since December. In the opinion of counterintelligence personnel, extremists may exploit such situations, as well as the power generation operatives' just discontent, and events may quite possibly end up seriously out of control.

Although every AES has an FCS subunit working there, whose duty is to know everything and promptly gather information about likely attacks on AES security, legal norms no longer make provision for rigorous scrutiny of job applicants. Surprisingly enough, candidates for jobs as nuclear power generation personnel do not take a mental fitness test and are not vetted, as is the case throughout the civilized world, for reliability—at least in human, civic terms. The once tightly sealed 30-km zone around AES's has long been open to all comers. Today anyone, including criminals, can come and register or even live here without a stamp in their passport. There are no legal grounds for refusing people work at an AES, nor are there grounds for getting rid of extremists working at a power unit's control panel. The Law on Atomic Energy, the draft of which, according to Leonid Semenov, enshrines "cadre" norms, is one of those that legislators have failed to adopt since 1987.

So, imagine the worst case scenario: The reasonable organizers lose control of some quite peaceful demonstrations at an AES, and determined people, ready for anything, fishing in troubled waters, become the masters of the situation. Or some outside terrorists take crack AES staff hostage, keep them in their sights to get through the guards, and dictate terms to the government: Immediate sovereignty for the Verkhnevzdyblenskaya [imaginary name, akin to Ruritania] Republic].

Earlier, even a couple of months ago, the country had the now-notorious "Vympel" to cope with that eventuality, whose superfighters were used at AES's since 1987. Each of them knew all the AES's like their own home and during exercises got through the seemingly impenetrable utilities' layouts to reach the power unit, a feat that amazed even AES specialists. Thanks to the exercises, incidentally, the AES guard system was perfected; they are guarded by Internal Troops and this system has been tightened up year after year.

"Vympel" no longer exists now—it has been transferred to the MVD [Ministry of Internal Affairs] and effectively devastated. The FCS is hoping to re-create something similar, but these unique skills take years to cultivate and who can say that the crack detachment's combat experience and knowledge will not be needed today or tomorrow?

I got the feeling from my talk with Col. Semenov that the problem is not just one of a fighting force, capable of combating "nuclear" terrorism. For good or ill, no one in the past doubted the special services' right (and qualifications) to play the prime role in an emergency. That is,

the forces assembled by various departments in a "hot spot" to counter a serious danger always had a natural, universally recognized hierarchy to guarantee unified command of an operation. No one muscled in, everyone knew their place, their rights, and duties. Regrettably, last December's action against the terrorists spilling dollars over Dagestan showed that there was no sign of the former unified command, since the presidential edict winding up the Russian Ministry of Security erupted precisely 21 December.

My interlocutor in the FCS once again sees the Law on Atomic Energy, which has thus far not been adopted, as the solution to this power struggle. According to him, this law clearly sets out the rights and duties of each of the departments that oversees nuclear power generation. There has not yet been a tragedy, there is time, but the price of delay may be far more terrible than Chernobyl, which, as you know, blew up without any malicious intent on the part of those who caused the catastrophe.

Future Course of Gold Trade Viewed

944E0631A Moscow DELOVOY MIR in Russian
14-20 Mar 94 p 2

[Interview with Valentin Dyuryagin, president of the joint-stock company Federal Chamber of Gold Trading Transactions, by DELOVOY MIR correspondent Vladimir Kalinkovich; place and date not given: "Supplied With Gold—A Pleasant Surprise From the Brokers"]

[Text]

[Kalinkovich] Valentin Viktorovich, what is the point of the work you have done to create a futures market for gold? To what extent is all of this topical for the current Russian economy?

[Dyuryagin] In cooperation with the republic timber exchange, we decided to establish and properly adjust an instrument for the gold futures market and titles of ownership for gold. Insofar as futures trading in freely convertible currency is developing fairly successfully in Russia at present, in particular for the American dollar and German mark, we concluded that the time has come to provide the opportunity for those who so aspire, to accomplish the preparatory work for possible liberalization of gold trading in accordance with the president's decree on creation of the precious metals exchange and formation of the gold market. The creation of such a futures market seems entirely realistic to us, insofar as gold is a commodity even more liquid than freely convertible currency. As we know, the state is not yet regulating the free circulation of gold in the country. Therefore, trading session participants have decided to provisionally consider as gold "gold certificates" of the Ministry of Finance and their shares issued by certain banks.

[Kalinkovich] What structures are participating in the futures trading?

[Dyuryagin] Today 36 participants have joined together in the futures market for gold. These are mainly insurance and financial companies and banks. In the present stage, we see our main objective as developing the technology of exchange futures trading in gold. It is important here to have a certain technological base, and in the event the Council of Ministers adopts a resolution on creation of a "gold exchange," we will be prepared to conduct full-fledged futures trading based on accumulated experience. This is our strategic objective. As far as today is concerned, market participants have the opportunity to gather together twice a week in the exchange building and carry on futures trading. This is purely an exchange game in which all the participants have the opportunity to derive profit from short-term price fluctuations. I would particularly like to emphasize that the entire operation is built on pure enthusiasm insofar as there is no ready market, you understand, and we all have a sense today of being pioneers in this endeavor.

[Kalinkovich] How do your brokers feel?

[Dyuryagin] The fact that brokers working in the exchange would so accurately divine the dynamics of price changes with respect to futures right from the initial sessions. I will state candidly, was a pleasant surprise to me. Their assessments coincide virtually entirely with the conclusions of their colleagues on the New York exchange. And today, now that a month of operation has gone by, I find it pleasant to realize that we are acting in unison with people who have far greater experience. Despite the fact that there has been no shortage of forecasters in Russia in recent times announcing the imminent and rapid rise in price of gold to \$410-450 per troy ounce, the predictions of our brokers turned out to be the most accurate—in actuality the price fluctuated between \$380-390 per troy ounce, which coincided virtually entirely with the dynamics of world prices for gold. Incidentally, the recent drop in prices at many world exchanges was accurately divined by the brokers at our exchange. And the price has dropped here as well over this time.

[Kalinkovich] So the fact is—all 30 or more trading session participants do not lose? They only win?

[Dyuryagin] Naturally, winning and losing are two sides of the same coin. But here is where the chief meaning behind the exchange game lies. I will note that the banks that participate in our trading sessions do not play with the assets of their clients, but rather with their own money.

Gold Extraction, Reserves Viewed

944F0552A Moscow ROSSIYSKAYA GAZETA
in Russian 8 Apr 94 p 2

[Article by Georgiy Volarovich, professor and honorary mineral prospector, and Aleksandr Kurskiy, candidate of chemical sciences: "We Have Found Gold Somewhere Here"]

[Text] "We have found gold somewhere here, a lot of gold—loads of it!" There are few television viewers who have not seen the advertisement accompanying this cheery jingle. All the same, does Russia have a lot of gold?

One of the myths disseminated in recent years is the fabulous reserve of gold which can come to the aid of Russia's economy during this period of crisis. But it turns out that the country's gold reserve, which had been accumulated for a century, was squandered by the end of "the Gorbachev period." It amounted to no more than 140 metric tons by August 1991. At the same time, 8,200 tons of gold were stored in the vaults of Fort Knox in the United States, and the total gold assets of the world's banks had reached 35,000 metric tons. Belgium and the Netherlands alone threw about 1,000 metric tons of gold into the world market in 1991, which led to a drop in the world price to \$324 per ounce (31.1 grams) from \$446 in 1987.

At the turn of this century, when intellectual politicians such as Sergey Yulyevich Vitte [Witte] and Petr Arkadyevich Stolypin held the position of minister of finance and prime minister, gold mining was especially encouraged by the granting of various state privileges. In 1914, 64 metric tons of gold, or one-tenth of the world's production of this metal, were extracted. Russia's gold reserve was more than 1,500 metric tons.

The bolsheviks understood the strategic role of the gold reserve as well as the tsarist ministers, and after the civil war they began intensive restoration of the state geological service and the gold industry. By 1928, the country had extracted 36 metric tons of gold. In order to speed up restoration of the state gold reserve, precious metals were confiscated from private individuals through the system of Torgsin [All-Union Association for Trade With Foreigners] stores, brilliantly portrayed by Mikhail Bulgakov in the novel "The Master and Margarita." By 1953, the gold reserve in the USSR had reached 2,050 metric tons. If it is taken into account that 2,100 metric tons were extracted from 1928 to 1953 and that the United States demanded 1,500 metric tons of gold to pay for Lend-Lease during World War II, we can see how effective the state system of precious metal accumulation was over these years.

Khrushchev deprived the gold industry of its previous privileges and began squandering the gold reserve, and this was completed under Gorbachev. Nevertheless, the powerful gold industry in the USSR increased the amount of gold extracted right up to 1990; it totaled an average 160 metric tons annually from 1955 to 1965, 250 metric tons per year from 1965 to 1975, and 273 metric tons per year from 1975 to 1990. Only South Africa extracted more gold—about 600 metric tons per year. The expenditures to establish and develop the mineral raw material base for all types of minerals, including gold, during this period accounted for a stable 1.2 to 1.4 percent of national income, but the economic effectiveness of geological operations was highest among the

primary sectors of the national economy. Investment programs over the past decades were oriented mainly toward development of the mineral-raw material base in settled regions with a more moderate climate on the USSR's southern perimeter. The huge amount of funds confiscated in Russia were invested in the construction of mining combines and development of territories which are sovereign today.

Russia turned out to be in a critical situation with respect to a number of minerals after the collapse of the USSR. Russian industry's requirements for manganese, chromium, antimony, titanium, mercury, and lead are being met almost entirely by deliveries from former union republics, which costs Russia \$2 billion per year. In gold production Russia holds just fifth place in the world today (158 metric tons in 1993). It extracts four times less gold per capita than Uzbekistan. Attempts are being made to increase the state gold reserve. It increased to 308 metric tons in 1993. However, the lack of a consistent state mineral-raw material policy does not make it possible to count on even reaching the gold reserve level of 1913 quickly.

Gold Production in Russia and the USSR

Year	Production, in Metric Tons Per year
1914 (Russia)	64
1928 (USSR)	36
1955-1965 (USSR)	160
1965-1975 (USSR)	250
1975-1990 (USSR)	273
1993 (Russia)	158

Gold Reserves in Russia and the USSR

Year	Size of Reserve, in Metric Tons
1914 (Russia)	1,500
1953 (USSR)	2,050
1991 (USSR)	140
1993 (Russia)	308

Let us return to the United States' experience. Since 1929 it has had a federal mineral-raw material policy aimed at the country's self-sufficiency in strategic raw material. The "Law on a national policy and research and development in the field of materials and mineral raw material" passed by the U.S. Congress in 1980 states: "...the United States should always pursue a policy aimed at providing for a sufficient supply of the materials needed to maintain national security, the public welfare, and the level of industrial production..." Since 1981, at the initiative of the United States, Canada, and the FRG, an international program has been implemented jointly with South Africa, Australia, and Great Britain to keep a record of the strategic types of mineral raw material and ensure its accessibility. The United States' gold reserve has reached its maximum

amount since World War II—25,000 tons. After the war De Gaulle took decisive steps to increase France's gold reserve. All countries, especially Canada, Japan, Taiwan, China, India, and Saudi Arabia, want to add to their gold reserve. Over the past 5 years, the United States, Australia, Canada, and China have doubled their gold production. It is a different situation in the territory of the former Soviet Union.

Unlike the United States, unified national mineral-raw material programs were not developed or implemented during the USSR's existence. Development of the country's mineral-raw material base was not linked with the task of building up strategic and mobilization resources.

The 2 years which the Law "On Mineral Resources," adopted by the VS RF [Russian Federation Supreme Soviet] in February 1992, has been in effect have shown that the federal mineral-raw material interests are practically unprotected by this legislation. The Supreme Soviet adopted and put into effect a statute on the procedure for paid, licensed use of mineral deposits long before the federal mineral-raw material priorities were defined.

The numerous auctions and competitions for the right to develop mineral deposits have not led to the establishment of one mining enterprise. The mass issuance of licenses for geological study of gold-bearing areas has taken vast regions, where practically no geological exploration work is being conducted, out of the jurisdiction of state regulation in a number of parts of the Russian Federation.

The lack of a federal mineral-raw material policy has led to disorganization of the geological sector. Its financing from the budget in 1993 amounted to just 17 percent of the 1990 level. Employment in the sector has declined by half and is continuing to decline. As a result, not one new deposit of metallic minerals has been found in Russia since 1992, and the increase in the gold reserve does not cover its production. This is leading to depletion of the mineral-raw material base—the principal source of resources for the Russian economy.

The situation is especially critical because many gold mines have reserves for just 6 or 7 years. At the same time, a number of the large gold deposits in Russia that were prospected before continue to be unused. These deposits include Sukhoy Log in Irkutsk Oblast, Nezhdaninskoye in Yakutia, Mayskoye in Chukotka, and Olimpiadskoye in Krasnoyarsk Krai. However, the funds needed to develop them are so substantial that this is practically impossible without foreign investments today.

The raw material base of Russian gold, the mining of which accounts for about 70 percent of Russia's total production, is in an even worse situation. In most of the leading regions (Magadan Oblast, Yakutia) which provide most of the placer gold, there are reserves available

for just 3 to 5 years. The situation is somewhat better in the Amur and Transbaykal regions and Buryatia, but the average gold content in these regions is very low—just 0.16 to 0.17 grams per cubic meter, and production in these areas cannot compensate for the loss in the northeastern regions.

New regions with gold-bearing potential such as the Polar Urals, Timan, Karelia, Taymyr, Anabar, and Olenek have not been studied adequately. The gold content of the sands and gravel which are being excavated in thousands of quarries in many parts of the Russian platform has not been studied at all.

So the country's geologists have the urgent task of searching for deposits of gold, not to mention the other minerals. Considerable attention should be devoted to the Federal Geological Service without delay.

The specific nature of the geological sector and the objective gap in time between the stages of searching for deposits and the actual opportunity to begin working the minerals found have to be given particular emphasis. Any forecasts about Russia emerging from the depression after 1995 are not worth the paper they are written on unless the extent of the degradation of the mineral resources base is taken into account. So that Russia's gold can reinforce the country's economic might, the policy on mineral resources has to be changed and made the state's business today.

Boom in Illegal Production of Gold, Diamonds Cited

944E0682A Moscow NEZAVISIMAYA GAZETA
in Russian 2 Apr 94 pp 1-2.

[Article by Mikhail Kharitonov: "Gold Fever in Russia: A Boom in Illegal Production of Precious Metals and Stones Has Begun in the Country"]

[Text] The occupation of currency trader is going through a period of rapid growth in Russia. The reforms begun in the country (or what are reputed to be reforms) have not deprived this occupation of its criminal touch by any means. Rather, just the opposite is true.

According to data of the Economic Crimes Main Administration (GUEP) of the Russian Federation Ministry of Internal Affairs, the stratification of society by income level and the concentration of large sums in the hands of a relatively small number of entrepreneurs have led to a sharp increase in the demand for gold, silver, diamonds, and foreign currency. The vacuum formed in this market was filled first by representatives of the criminal world, which is perfectly natural. One of the specialists in this problem—GUEP staffer Aleksandr Alekseyev—believes we can now speak about the existence in Russia of a real industry in the illegal extraction, processing, and sale of gold and diamonds. Criminals are actively organizing ties with officials in the state apparatus and foreign colleagues and developing channels for the "export" of Russian valuables.

A situation, especially a criminal situation, can be evaluated only conditionally by statistics, but the figures on currency crime for 1993 look really impressive. According to the GUEP data, nearly 6,000 crimes of this type were discovered last year; during the course of their investigation, more than 250 kilograms of gold, nearly 50 kilograms of platinum, over 1.8 metric tons of silver, precious stones totaling 1,877 carats, and so forth were confiscated—altogether more than 13 billion rubles [R] (in last year's prices)! It should be noted at the same time that, according to the same statistics, the illegal currency business, like the drug business, is one of the most profitable forms of crime, and according to the most optimistic estimates, a very small proportion of the "commodity" in illegal turnover is being confiscated by the authorities.

According to the GUEP data cited by Aleksandr Alekseyev, the backbone of Russia's illegal currency business is made up of well-organized groups from republics in the Caucasus united by family clans. Each one of them closely monitors the gold mining regions of the country, and they are mainly the ones, in the specialists' opinion, who are practically paralyzing normal development of the entire currency market. While previously the currency traders were considered the intellectual elite of the criminal world and stood apart in it, openly criminal methods have taken root in their activities, such as armed raids on placer mines, attempts to work deposits, and so forth. The GUEP experts believe that a sizable "contribution" to this has been made by the sluggishness of the Russian Federation Committee on Precious Metals and Precious Stones [Roskomdragmet], in which the system for protecting valuables has been practically unchanged over the past 10 years. The technologies and equipment being used in the mining and processing of gold and natural diamonds is extremely obsolete, and, as a result, the precious raw material often turns out to be easily accessible. With the introduction of new, more improved capacities, the rates of gold consumption are not being reviewed in a timely manner, to put it mildly—one more source for the thieves. There are frequent cases in which persons who have not been checked out are allowed in the Roskomdragmet itself, where work associated with the extraction and processing of gold is conducted. In February 1994, during a check by the gold acceptance office for the "Chikaya" Placer Mine of the "Zabaykalzoloto" Association, nearly 30 kilograms of gold to be turned over to the state were discovered to have been concealed by employees.

In Alekseyev's words, the expected economic gain was not achieved and the right to extract precious metals and precious stones granted to all juridical persons and citizens of Russia by the government decision in January 1992 was not materialized. But then, it had already become a widespread excuse for the "laundering" of illegally obtained valuables by criminal groups and one more source of enrichment. In 1993, as an example, 578 licenses were issued to physical persons in the country's 15 gold mining regions, and they turned in 167 kilograms

of the metal—a ridiculous figure, in the specialists' opinion. In Magadan Oblast, the official productivity of one prospector averaged just a little over 250 grams of gold.

According to the GUEP data, the principal channel for taking out the stolen gold and diamonds continues to be air transportation. But the methods of shipping it has changed somewhat in recent years, taking the situation into account. While previously the couriers preferred to conceal the precious stones on themselves or in their clothing, as a rule, now they take them out mainly in their baggage (because of the higher volume of flights) or they avoid inspection altogether with the help of corrupt airport employees.

It is worth noting that politics has been mixed up in the illegal currency business lately. The experts believe that part of the precious stones being stolen in Russia through corrupt contacts in the Caucasus, the Baltic, and Central Asia are being used to support and finance extremist nationalist movements.

Analysis of all these processes, according to Aleksandr Alekseyev, has led GUEP experts to the conclusion that the gold mining industry may become one of the principal levers in the near future in the struggle against criminal associations for their sphere of influence. At the same time, this sector of industry itself will be subjected to even greater widespread pressure from their side. According to GUEP estimates, crime in the currency field may increase by several times as much. But there are a few grounds for optimism with respect to control over the situation by this service, Alekseyev believes. On one hand, the sector's breakup into separate and independent enterprises (including the mines and pits) is continuing. As a consequence, the centralized system for protecting the valuables being extracted has collapsed. On the other hand, the legislation which regulates currency operations, the transfer of precious stones, and so forth continues to be extremely watered down and abstract. Article 88 of the Russian Federation UK [Criminal Code] does not contain a clear-cut description of what constitutes "an illegal currency operation." According to the law "On Currency Regulation and Currency Control," establishment of the procedure for a transaction with precious metals and the like was put in the hands of the government, the Central Bank, the Ministry of Finance, and customs, but these questions have not been resolved to date. The numerous norms which exist are in open contradiction with each other. As an example, the illegal purchase, sale, and extraction of gold is considered a crime now, but its storage and transportation is not considered a crime. It is foolish, but this is how the law is. Of course, the criminals are aware of this and take advantage of it. It is interesting that the confusion reigning in this field, according to Aleksandr Alekseyev, has attracted the interest of Western businessmen. According to the GUEP, many industrial trading firms, mainly in the United States, South Africa, and Israel, consider the present currency situation in

Russia to be very favorable for their activity. Negotiations on collaboration and the formation of various SP [joint ventures] to extract and process gold, diamonds, and so forth, are now being conducted by dozens of firms, and in most cases the Russian side does not turn out to be in the most advantageous position. But Russian commercial structures' interest in precious metals and stones is high as well. But it has a somewhat different tinge—according to certain data, businessmen are preparing and pushing through a legal basis to circumvent the state monopoly on trade in precious metals and stones.

Yakutia-Sakha Republic to Develop Diamond-Cutting Plants

944E0672A Moscow *EKONOMIKA I ZHIZN*
in Russian No 12, Mar 94 p 17

[Article by Aleksandr Ivanovich Im, Moscow representative of the "Tuymaada Diamond" Joint-Stock Company: "The 'Tuymaada Diamond' AK [Joint-Stock Company]: A Pioneer in the Russian Diamond Market"]

[Text] *It is still too soon to assess the significance of the appearance in the Russian diamond industry of a large new center of the diamond-cutting industry in the Republic of Sakha (Yakutia). The production of brilliants here has not yet emerged from the formative stage. But it is important that it is being developed under market conditions, paving the way toward development of a Russian diamond market and actively contributing to an upswing in the economy of the Republic of Sakha (Yakutia). The "Tuymaada Diamond" Joint-Stock Company has assumed the principal burden of resolving the problems associated with the establishment of cutting plants.*

Aleksandr Ivanovich Im, the company's Moscow representative, tells us about the company's activity and its problems and prospects. His work is typical of specialists in this new sector in the republic's national economy who have come from other fields of activity and are enthusiastic supporters of diamond industry development. Aleksandr Ivanovich was born in the village of Suntar in the Yakut ASSR in 1957. In 1984, he graduated from the mechanical design faculty of the MVTU [Moscow Higher Technical School] imeni Bauman, after which he worked for 9 years at the Central Aerohydrodynamics Institute (TsAGI) imeni N. Ye. Zhukovskiy. Because of economic circumstances he was discharged in 1993 and became an adviser to the torpred [trade representative] of the Republic of Sakha (Yakutia). He has worked in the "Tuymaada Diamond" AK since September 1993.

"What does the name of the company mean?" Familiarity with it usually begins with a question such as this. Tuymaada is the name of the valley where Yakutsk, the capital of the Republic of Sakha (Yakutia), is situated. This is where our company, which marks its 3d anniversary on 20 March 1994, is located. We can say with every right today that its establishment marked the formation

of a new center of the Russian diamond-cutting industry, as well as a new diamond-processing sector in the republic's national economy.

The organization of such a company by a group of young persons with initiative was effectively supported by our government in the spring of 1991. And this is understandable, because the republic received the right to dispose of 100 percent of the technical diamonds extracted in it and 20 percent of the jewelry-quality diamonds.

The company was initially formed as partly a state enterprise in order to realize the state program for development of the diamond-processing industry of the Republic of Sakha (Yakutia). "Tuymaada Diamond" is an open-type joint-stock company. The charter capital of the company has grown from 10 million rubles [R] to R1.8371 billion. Altogether, 49,898 shares of stock have been issued; 31.63 percent of them belong to the Republic of Sakha (Yakutia), 22.53 percent belong to the gosimushchestvo [State Property] Management Fund, 5.45 percent belong to the Fund for Public Social Support, and 3.65 percent belong to the Labor and Employment Committee.

The largest stockholders, with representatives on the board of directors, include companies such as the "Almaz Rossii Sakha" AK (14.85 percent of the shares), the "Zoloto Yakutii" APK (6.8 percent), The Altay "Kristall" Production Association (5.74 percent), the "Aldanzoloto" AO [Joint-Stock Company] (5.21 percent), and the "Sakhainvest" Checking Investment Fund (1.67 percent). Altogether, these stockholders hold 34.27 percent of the shares. And finally, 34.1 percent of the shares are held by other stockholders, each of whom owns less than 1 percent of the company stock.

As we see, the "Tuymaada Diamond" AK functions with participation not only by Yakut enterprises, but other Russian enterprises as well. I also emphasize that although diamond processing is an export-oriented sector and entry into the world market is in the company's plans, it is now operating in the Russian domestic market and selling its output to CIS countries as well.

Successful operation of diamond-cutting plants depends not only on a reliable source of good uncut diamonds, but experienced, skilled personnel. Their skill is developed over the years and is passed on from generation to generation. For this reason, the training of workers and specialists has been a fundamental labor problem for us. We have managed to resolve it—young people have been sent to learn at Russian and Ukrainian enterprises and foreign enterprises. We have also invited specialists from other localities. The first diamond was cut in 1992, and this first of our own brilliants, which we obtained in the village of Suntar, was of quite high quality and created a real wave of enthusiasm, reinforced confidence in the practicality of our plans, and prompted the rayon administrations to provide us with assistance in every possible way. The local administrations made their contribution

to our company in the form of stone buildings that were available, which speeded up the process of establishing the plants considerably.

Altogether, 16 diamond-cutting plants are to be built in the 1993-1995 period in accordance with the state program. Six plants—40 percent—have already been put into operation, and all the rest are scheduled to be commissioned from April to August this year. That is, the program will be fulfilled ahead of schedule. The Suntar, Yakutsk, Churapchinskiy, Verkhnevilyuykiy, Berdigest'yakhskiy, and Namskiy diamond-cutting plants are now in operation. They are all provided with the most advanced Russian and foreign equipment. Equipment valued at R1.6 billion has been delivered and installed. Two enterprises have also been built to turn out diamond powders and tools and to produce items made of uncut gemstones. Transport and commercial firms have been formed. A controlling block of stock in the "Eyge" Bank has been obtained. So an entire range of structures has been established to ensure the stability of our diamond-processing sector. The company's plans include the establishment of jewelry enterprises which make extensive use of our product in their work.

The result of our 3 years of work has been the formation of a system of joint-stock companies [AO], joint ventures, and the joint-stock companies [AK] associated with them. The "Amma Diamond," "Lena Diamond," "Sargy Diamond," "Mayya Diamond," "Vostok Diamond," "Ensieli Diamond," and "Kebeey Diamond" joint-stock companies and the "Sakha Japan Diamond," "Amma Padani Diamonds," "Kuoliti Diamonds," "Ensieli Diam," and "Tuymaada Raykhbard Diamond Ltd" joint ventures are engaged in diamond cutting. The "Kyundyu Tass" Joint-Stock Company is producing items made of gemstones and the "Sakha Diamond" Joint-Stock Company is turning out diamond powders and tools.

In looking back at what has been achieved, we see the creation of prestigious modern work places in the republic as one of the important results. Nearly 900 persons are working in the company structures, including over 170 engineers and technicians and more than 700 workers, of whom 463 are cutters. Another 165 persons are in training. We are especially proud of this result, inasmuch as our cutting plants have been dispersed in agricultural uluses [settlements], which not only helps to resolve the problem of employment for the rural population, but has a beneficial effect on the entire local economy. There is a real possibility of shifting the uluses from republic budget subsidies to funds which they have earned themselves. But after all, according to the statistics, all the uluses depend on the subsidies for 95 percent of their support, which inevitably reinforces parasitical attitudes and social apathy. But now attractive types of employment have been developed for the residents. In addition, the funds going to the republic budget from the production and sale of brilliants make it possible to improve the financing of many public health, education, and cultural facilities.

But while the social importance of the diamond-processing industry in the Republic of Sakha is quite apparent, the economic effectiveness is questionable at times. How economically feasible is the construction of cutting enterprises in remote, frosty Siberia, and in the villages as well? Will they be profitable? Yes, they will be. And our economic calculations have already been confirmed by experience. So what is increasing the expenditures? The lack of roads and long distances are leading to increased transportation expenses. The freezing weather increases the expenses for heat and electricity. And northern residents must be paid much more for their work than the residents of Russia's central regions.

All the same, the value of diamonds is so high that the expenditures for transportation, heat and electricity, and wages have a relatively small effect on the value of brilliants. On average, 85 percent of the value of a brilliant is in the value of the uncut diamond, and nearly 10 percent of the value is in the wages. The other expenses for manufacturing and sales, leasing of premises, heat and electricity, and transportation account for no more than 5 percent of the value. And while all these expenses under the conditions in our republic are three times higher when compared with the West, for example, the value of a brilliant with the wages paid there is increased by only 5 to 10 percent. But this makes it possible with good work organization, modern equipment, and the cutters' high skill to count on the competitiveness of Yakut brilliants not only in the Russian domestic market, but the world market as well. For example, our wages cannot be compared with wages in the West at present, and in addition, we do not pay the high rent that they must pay, which enables us even now to speak about the lower production cost of our product.

Of course, the industrial processing of diamonds should be in complete conformity with the standards recognized by the world cutting centers and should take rapidly changing market conditions into account. And while all these years the specialists of the "Tuymaada Diamond" AK lived continuously in an investment routine and were preoccupied by the problems of financial resources and construction, we have now come really close to a new stage in our development, when the quality of the brilliants and their conformity to market demands are assuming decisive importance.

World experience shows that a cutter approaches the peak of his skill in 5 years, spasmodically raising labor productivity: three to five times as much each year for the first 3 years, and two to three times as much in the last time period. Today the production cost of cutting brilliants in the republic's cutting plants is very high because of low productivity. But this situation will gradually change, gross output will increase, and expenses will begin declining. And our task is to react in a timely manner to the change in "style" in the cut diamond business and requirements of the jewelry industry.

The fact that our plants have 30 to 50 cutters, as a rule, and are not giants by any means helps us in coping with this problem; they can be restructured and improve their technology easily. We are guided in our development by the achievements and traditions of the Russian diamond-cutting school, whose authority is quite reliable. All the same, the classical "Russian-cut" brilliants from the traditionally high-grade uncut diamonds in the world markets are being squeezed by brilliants which may have a less complex but very diversified cut. Two of the six cutting plants already in operation are using the same technology which is used at other Russian plants, but four of them are using a different technology—Belgian, Japanese, or Israeli. In addition, the company includes joint ventures with Japanese, Belgian, and Israeli firms, which facilitates the assimilation of new organizational and technological principles in the work. The new technologies are also attractive because they increase the output of a finished product from uncut diamonds and reduce the cost of brilliants.

And returning again to achievements in the 3 years of development at the "Tuymaada Diamond" AK, I would like to stress the following conclusion of fundamental importance: our company has been practically a pioneer in the world cut diamond market.

A Russian domestic market for cut diamonds, with all the structures needed for this, still remains to be developed. Joint-stock companies for processing diamonds in the Republic of Sakha (Yakutia) were practically the first to take this path by selling brilliants to jewelry plants, firms, repair shops, commercial banks, and individual citizens. Other Russian cutting plants left after the collapse of the USSR with which we were actively collaborating inherited a cumbersome production facility without developed commercial structures and a rigid framework of technical conditions. On the other hand, these plants have SPTU [presumably: agricultural vocational-technical schools] with established traditions in training specialists and developed machine building. I think that although we have different tasks and we are in various stages of development, we have more common interests than differences.

In selling brilliants, we are establishing a market for them in Russia at a time when the quality of brilliants as a fine investment commodity has begun to appreciate considerably under the conditions of high inflation. In the world market, the value of cut diamonds increases by an average 300 percent over a 10-year period. So brilliants are a commodity which yields an average profit on investment of 30 percent annually, and often even more, since the price for brilliants is highly individual and depends on numerous parameters. A brilliant is always a brilliant. The merits of a brilliant need not be advertised and its profitability need not be demonstrated. A brilliant that is purchased requires practically no special care from its owner, and it just rises in price. Especially as the level of prices for brilliants in the domestic market has turned out to be unexpectedly productive—in wholesale batches it is higher than prices in the world market.

This makes it possible for the "Tuymaada Diamond" AK to allow a discount of up to 10 percent from the prices of wholesale batches in sales to its stockholders. Moreover, we guarantee that we will buy back the brilliants if stockholders are in urgent need of funds.

Can you become a stockholder in our company? Yes, you can. We are beginning the sixth stock issue and we are counting on investments. In previous years only about 5 percent of the company's shares were distributed in the Russian market as a whole, but 95 percent were distributed within the republic. Now the "Tuymaada Diamond" AK intends to increase the sale of stock shares in the Russian national market. They are in good demand, and the price in the Moscow stock exchanges is 9 to 13 times their nominal value. The next emission will reflect the results of reassessment of the fixed capital, and each ruble of the stock's value will be reinforced by real physical assets. We are confident that this stock issue will be bought up quickly by those who are able to assess the commercial attractiveness of stock shares from the diamond business.

In entering the market environment, we became aware of the practically complete lack of needed information in the country on the prices for uncut diamonds and brilliants in the world markets in one region or another. There are not enough studies and forecasts of market conditions. The instability of export duties is a big obstacle. We would also like parliament and the government to expedite establishment of the necessary legal and normative basis for normal operation of the diamond-processing industry under market conditions.

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Air Traffic Control Chairman Interviewed

944E0663A Moscow VOZDUSHNYY TRANSPORT
in Russian No 5, Feb 94 pp 8-9

[Interview with Valeriy Shelkovnikov, chairman of "Ros aeronavigatsiya" [Russian State Commission for Airspace Use and Air Traffic Control], by V. Karpiy: "We Are Prepared for an Open Dialogue"]

[Text] I am certain it is not necessary to introduce V. Shelkovnikov, the chairman of the Commission for Air Traffic Control [ATC], to most of our readers, because his name has appeared very often in the pages of VOZDUSHNYY TRANSPORT throughout the newspaper's history. Some will remember him as the chief of the TsUVD [Air Traffic Control Central Administration], as the chief of the GlavUVD MGA [ATC chief of the Ministry of Civil Aviation], or as the president of the International Aviation Safety Fund. Friends will recall

that, aside from the 27 years he has worked in the ATC Service, there were years spent in polar aviation, in the Northern Civil Aviation Administration, and in supervising the group testing the first automated system—"Start." Generally speaking, he has served in all the positions, right up to chief of a zone center, and then the Main Center... And now he is in air traffic control once again. And this is how we began our interview.

[Karpiy] Valeriy Georgiyevich, 4 years ago you left the civil aviation ATC Service which you headed for more than 6 years, and then suddenly 6 months ago you returned. What compelled you to make such an important decision in both cases?

[Shelkovnikov] There were several reasons why I left the position as head of such a large service as ATC, but I will tell you about the principal one. In 1989, when it had already become completely clear that the coming years would bring very big changes to the country's civil aviation, I realized that I had no right to take part in this process without knowledge of the principles and standards of the world aviation community, from which we had been very carefully sealed off for a long time. Especially taking thousands of people with me... Then the idea developed of forming an independent public organization—the Aviation Safety Fund of the USSR, which has now become international. I was named its president, and in my 5 years of work there I went through an excellent "academy" of civil aviation, where I learned a great deal. For that reason, I began looking at a number of things which one would think were obvious through entirely different eyes.

But I returned to the ATC Service in June 1993. Frankly speaking, this return was also very unexpected for me. The fact is that when I worked in the FAB [Aviation Safety Fund] I had occasion to work with controllers and meet with the heads of services as before. It is still a mystery to me why they decided to ask the prime minister to appoint me as president [sic] of "Gos aeronavigatsiya."

[Karpiy] How did you feel when you learned of this request?

[Shelkovnikov] If I had known where I was going, I would have been a little more conceited person, and I probably would have considered this very flattering. But...it is clear that each of us has to bear his own cross.

[Karpiy] You said that you knew where you were going. Six months had passed since then. Didn't you have to modify your views on the state of affairs in the ATC Service and the processes which were and are under way in it?

[Shelkovnikov] Practically none. Extremely complex processes, which are painful at times, are under way in our service and in civil aviation as a whole. I realize that they are unavoidable. Previously, all aviation operations were under the Ministry of Civil Aviation. Today, in line

with the government's concept of air transport development, which I consider correct, airports are detached, airlines are being formed, and the ATC Service is defining its place in this process. But because it was built up and developed as a unified organism for decades, it is not so simple to divide it into parts, and painlessly as well.

[Karpiy] And the ATC Service, I think, is affected more than others. The things that it is being blamed for, including the charge that it is almost paralyzing air traffic...

[Shelkovnikov] The wage rates and fees? All the expenditures on air traffic control will make up 6.8 percent of civil aviation's overall expenditures in 1994. Is this a big or a small amount? But who has tried to understand whether this is a great organization, whether it has been maintained and is being modernized in good time? I do not think many will answer with knowledge of the matter.

[Karpiy] But tell us...

[Shelkovnikov] Today, the coordination and planning of airspace use and air traffic control in the Russian Federation is being handled by centers of the Unified ATC System and ATC departmental organs. So Russia's YeS UVD [Unified ATC System] has 142 centers; one of them is the main center, eight are zonal centers, 70 are regional centers, and 63 are auxiliary air route centers.

We are responsible for flight safety on every one of the 239,903 kilometers of airways in Russia. As of 1 June last year, more than 2,500 pieces of basic electronic equipment, more than 17,000 units of communications equipment, and so forth were being operated in our services. Impressive?!

And all this should function without interruption, smoothly, and absolutely reliably, for if something happens, a crew in flight will be deaf and blind. But after all, our service has very expensive equipment which requires heightened attention by many thousands of persons with the highest qualifications.

Multiply what I have told you by the confusion in the economy, the inflation, the nonpayments, the severe price increases for every part, assembly, and unit, for what we need to keep mobilized, trained, disciplined, and highly intelligent people in the service when there is almost an "individual hunt" for each one of them by commercial structures and while you are faced with something which very remotely resembles a budget which would keep the service "afloat."

And besides all this, there are the lives of millions of persons for whom the controllers bear responsibility. So you be the judge—whether 6.8 percent is a large or a small amount. And I have only raised the edge of the curtain we work behind. Add here the support for especially important flights, use of the airspace by the

VVS [Air Forces], Naval Aviation, specialized aviation, general aviation, and departmental airplanes and helicopters.

[Karpiy] The ruble and the dollar are considered to be of primary importance today. You mentioned the "hunt" for aviation specialists by commercial structures, where the earnings are higher and the work is a little easier. Have you received offers from the commercial interests as well?

[Shelkovnikov] Yes, they have made offers. But inasmuch as I am here, I do not think it necessary to explain what I chose. Moreover, after returning, I was both glad and proud of my comrades—a great many first-class specialists and managers of services had remained on the job and did not change their work, which they had chosen as a career. Although they have had to stand the siege and are still besieged from various sides, including from their own families at times. And this is under conditions in which it is becoming harder and harder to work.

[Karpiy] Why? Didn't you list all the factors—inflation, nonpayments?

[Shelkovnikov] No, not all of them. The main problem is the equipment we are using, which has been worn out by a factor of 42 percent on average. And this means that it is deteriorating more and more each day and requires more and more attention and expenditures of labor and finances. Unless this process is brought under control, 82 percent of the equipment will be worn out in 5 years. We cannot permit this—after all, we bear the responsibility not only for our fellow countrymen and our airways—foreign airlines are also flying here. And since they bear responsibility for our fellow citizens when they fly in foreign airspace, we are just as responsible, under international laws, to ensure safe passage by foreign aircraft over our territory.

But how do we do this when there is equipment somewhere in the North which was sent by the Americans under Lend-Lease during World War II? If all the automated airway ATC systems date from the periods of their development—1971 to 1980? I could continue this list for an extended period, but it is clear that this problem cannot be solved without major capital investments. And without this, the principal task cannot be performed—the reason why the ATC Service was formed—provision for flight safety. Unfortunately, this is the opinion that exists in the country: "These are your problems, so you resolve them."

This an extremely incorrect approach. During my work in the FAB I had occasion to study this matter thoroughly in various other states, and only where the society—the people—consider it to be their direct responsibility to provide for flight safety is it equal to the occasion. After all, it is not for nothing that one of the first truths in the "ICAO [International Civil Aviation Organization] Aviation Accident Prevention Manual" states:

"If in your opinion the cost of safety is too high, it means you know what an aviation accident is."

The world aviation community and all civilized peoples are contributing immeasurably more to flight safety than we are. Sooner or later there will be a critical change in the public consciousness here, but we must not pay for this change in blood. But we are paying, you know—the latest tragedy in Irkutsk is an example of that.

[Karpiy] But you are aware of the country's budget situation, and how many holes there are in it.

[Shelkovnikov] And that is the reason we are looking, looking, and looking to see where we can save the airlines' money.

Straightening the routes. What is this? It is saving fuel and the service life of aircraft. Jointly with the Genshtab [General Staff], we are planning to save 5 billion rubles per year in this operation alone. This is an unlimited field for activity, and we have asked the airlines to send their suggestions. Altogether, 15 have responded.

But after all, pilots all over the world are flying where it is not prohibited, unlike here, where we fly only where it is has been authorized.

I am certain if we succeed in making the best possible use of airspace, we will eliminate the fuel crisis in aviation.

One more example: at present only 5.8 percent of Russia's airspace, a very small amount, is open for international flights. The route from Europe to Asia is over Russia, and the more airways we open, the more profit we will receive from air navigation fees. Foreign airlines are waiting for these routes, they are prepared to pay us and prepared to invest money in the ground equipment for these airways—if only the length of time their aircraft spend in the air is reduced. But in carrying out this work we are running into dozens of obstacles and we have to prove the obvious truths to many departments.

[Karpiy] But does the opposite happen?

[Shelkovnikov] It happens, but not often. Valeriy Mikhaylovich Zubov, a doctor of economic sciences and head of administration for Krasnoyarsk Kray, asked us to "open" airspace equivalent in area to five Frances over the kray's territory. We fulfilled his request, and a government decree was issued on 10 November 1993 "opening" 28 sections of international airways over Krasnoyarsk. He stated in addition: "I realize that the controllers have no money..." and he is undertaking the organization... of a joint-stock company whose responsibility would be to equip the airways and train people. This person understands that if aviation is the only transportation for most of the people in the kray, who should be concerned about aviation if not the local authorities?!

[Karpiy] Valeriy Georgiyevich, you cited quite a few problems whose importance is indisputable. All the

same, aren't there sore points which require priority attention from you personally?

[Shelkovnikov] The Moscow AUVD [Automated ATC] Center. Some 15 years have passed since it was put into operation. The roof has not been maintained here, the displays have begun breaking down... But after all, the Moscow Zone is one of the most saturated in the world. We are now concentrating our efforts here to rectify the situation.

We have a big problem with the Rostov "Strela" system. This is in the south of Russia, the exit to the Black Sea. It has been 12 years since it was built and it has completely exhausted its service life. But how can we close this zone, where aviation is being rapidly developed now? Stavropol, Anapa, Sochi, Krasnodar, Rostov-on-Don, and Mineralnyye Vody have become international airports and "Strela" is the "step" to them. We are looking for the means to get out of this very difficult impasse.

Kaliningrad. One of the independent states has undertaken the control of air traffic in space belonging to Russia without its consent here. This took place 2 years ago, and now the situation must be rectified and this area must be modernized.

There is no end of work in the Far North and the Far Eastern region.

[Karpiy] Where you had to limit traffic density, which resulted in a heated response everywhere?

[Shelkovnikov] Yes. This followed a near miss by two Boeing 747's on opposite headings in the Khabarovsk Zone. One of them belonged to the Japanese All Nippon Airline, and the other to British Airways. They moved apart in direct proximity to each other. According to the scientists' conclusion, the risk of a collision was three times greater than what is acceptable. Tragedy was avoided only because collision avoidance equipment was available on both aircraft. The crew of the British Airways aircraft received the command "To the right and up," and the Japanese aircraft received the command "To the right and down." A stressful situation for the crews and passengers were injured...

The causes? Our first impression was that a person, the controller, was at fault. When we investigated more thoroughly, we realized that we were not looking for the guilty person there. Organizational flaws—this is what nearly led to a disaster. The cutback in personnel and the absence of an operator put an excessive load on the controller. He did not receive the command from Tokyo and did not expect the two aircraft to be heading toward each other. There was no radar control or relay transmitter. Economizing on the means needed to provide for normal communications—these are the main "culprits." It is good that the commission included psychologists, who demonstrated that a person was physically not in a

position to resolve the situation. Well, there were quite a few claims made against the Far Eastern Region management, of course.

This time, they managed...

[Karpiy] But what if they hadn't? You will forgive this cruel question.

[Shelkovnikov] There would have been three national tragedies—in Russia, in Britain, and in Japan, since tens of thousands of people would have perished.

And if we add to this that the British Airways aircraft was insured for \$1.2 billion and the Japanese aircraft was insured for \$1 billion, who would have paid this money? Russia has no insurance for the risk of collision, while Singapore, New Zealand, and Great Britain have such insurance coverage even when an ATC system much more reliable than ours is available.

[Karpiy] So we must be insured...

[Shelkovnikov] We also need amounts much higher than in those countries I mentioned. The worse the system, the greater the risk of collision, and hence the higher the insurance rates. It is a vicious circle.

[Karpiy] And you caught it from our press...

[Shelkovnikov] At the scientists' recommendation, we chose the lesser of two evils before completing modernization of these sections, that is, before March: we have limited the density of air traffic. Incidentally, we are not the first to take such a step; this is a normal practice throughout the world. The lives of innocent persons cannot be risked under any conditions. Even if we have to incur financial losses.

[Karpiy] As far as I know, you sent a commission to Khabarovsk which was almost equivalent in composition and powers to those that the government assigns for catastrophes.

[Shelkovnikov] During my 3 years with the Aviation Safety Fund, I managed to size up the conceptual approaches to disaster prevention which exist in the world. They are very simple.

The first truth is that the persons at the top must concern themselves with safety and not delegate this part of the work to anyone. No matter whether it is the president of a country, the head of an administration, the president of an airline, the commander of a crew... Because safety is a most sacred thing.

The second truth. If there has been some violation in one field of human activity or another, we should thank God that a disaster did not occur. And the incident should be investigated as if there had been a catastrophe.

There has been a dangerous convergence of aircraft... It can be "farmed out" to local aviation authorities. Will they investigate it objectively? Will they have enough resources, knowledge, and experience? I don't know.

But if there had been a disaster, a government commission and hundreds of people would have been involved. So thank God there was no disaster, and do everything possible right here, with the fresh tracks, to find all the causes which nearly led to a disaster and exert every effort to ensure that there is no recurrence on a larger scale. And psychologists must be on the commission. Often only a specialist in the area of human psychology is in a position to determine why a controller, a pilot, or an engineer acted in one way or another.

It is not difficult for an administrator. He quickly finds the guilty party and states: You have violated such and such a paragraph, such and such a point... And that is all. But where is the guarantee that someone else, perhaps even more experienced, will not make the same mistake? The aviation world has abandoned searches for a guilty party—there are numerous other services for this. The aviation world looks for the reasons for errors and ways of preventing them. And it is putting a large amount of funds into this work. Because there is nothing minor in aviation, and what is at first glance a most insignificant near miss may result in an avalanche of events leading to a catastrophe.

Do you remember what went on here quite recently, just 10 or 12 years ago?

[Karpiy] When even the term "flight safety" was not used and they spoke about "the quality of flights?"

[Shelkovnikov] Absolutely correct. If there were a disaster, you know, they quickly looked for the guilty parties and issued an order on two or three pages, as a rule, even with a "secret" classification—and that was all!

And here we have come to the third truth. Throughout the world, when there has been an accident and the cause has been found, a very powerful propaganda machine is put into action. We read in the ICAO document: a highly effective means of preventing aviation accidents (AP) is the publication of information bulletins on the circumstances and causes of accidents and incidents and a graphic illustration of the events.

If a pilot has learned from the mistakes of others and the incidents in which they were involved, there would be less...

Until we reach the point where I can purchase a book on a catastrophe at any kiosk (in the United States, for example) and carefully study at home everything related to it and what led to it, we will incur losses. Our specialists have nothing to study. There are no aviation newspapers or magazines for the general reader as well as the specialist. In America you can buy and inquire about the huge volumes published by the Bureau of Accident Investigation. And there you will find information about what took place, and why and where it took place, as well as recommendations on how to avoid a tragedy. And the airlines buy these materials, they study them, and they learn from others' mistakes.

There is propaganda for you! But here? As far as I am aware, your only newspaper in the world's largest aviation power—VOZDUSHNYY TRANSPORT—is barely remaining "afloat."

[Karpiy] If not worse...

[Shelkovnikov] So what kind of preventive measures and propaganda on aviation accident prevention can we speak about if we have no means of influencing the minds, the feelings, and the conscience of a person who works in a very complex field such as civil aviation? There are many questions.

[Karpiy] Yes, you are right, there are many questions. I would like to learn your point of view in more detail on a critical problem such as air navigation fees; on participation in accident investigation by associations of controllers, pilots, and other public professional organizations; on your attitude with respect to controllers' strikes; with respect to the disintegration of the former union's unified airspace; and about the prestige of the controllers' profession. Moreover, I am certain that not only we journalists, but your allies and opponents, are prepared to take part in a discussion of these and other problems related to the activity of "Rosaeronavigatsiya."

[Shelkovnikov] We are prepared for an open dialogue with everyone for whom aviation and everything associated with it has become their life's work.

[Karpiy] Thank you for the interview.

Volga-Dnepr Airline Performance Viewed

944E0670A Moscow VOZDUSHNYY TRANSPORT
in Russian No 1-2, Jan 94 p 2

[Interview with Aleksey Isaykin, executive director of the Volga-Dnepr Airline, by VOZDUSHNYY TRANSPORT correspondent Valeriy Ageyev: "The Volga-Dnepr Airline Is Extending its Boundaries"]

[Text] We have informed our readers time and again about the activities of the Russian "Volga-Dnepr" Air Freight Company, which today is the country's largest air carrier. In its 3 years of existence, the company has demonstrated its ability not only to survive under difficult economic conditions, but to substantially extend the boundaries of its activity. The company's results in 1992, when it increased the volume shipped from 12.3 million metric ton-kilometers in 1991 to 94.2 metric ton-kilometers, attest to its success. The airline's activity is also respected because it was one of the first in Russia to export not only raw material, but competitive high-tech transport services in the international market.

VOZDUSHNYY TRANSPORT correspondent Valeriy Ageyev asked Aleksey Isaykin, the executive director of "Volga-Dnepr," to answer a few of the questions asked most often by the newspaper's readers.

[Ageyev] Aleksey Ivanovich, has your company made any unique shipments lately?

[Isaykin] Yes, not long ago one of the airline's An-124-100 "Ruslan" aircraft delivered a single load of 130 metric tons to the Australian city of Perth—a 20-meter unit for repairing the footing of offshore drilling rigs. Our pilots spent 28 hours in the air, bypassing airports in Istanbul, Madras, and Singapore.

The transportation of 232 metric tons of stage equipment for the Michael Jackson world tour, as well as the 120 metric tons of concert equipment for Madonna's tour through Latin America—these were operations that were not so much unique as they were noisy.

[Ageyev] But the unique trips are certainly not the only aspect of your activity.

[Isaykin] You are right. Our company is not limited to unique flights. On 18 November, we delivered 6 metric tons of humanitarian cargo from the United States to Ulyanovsk. These were medicines and medical equipment donated by parishioners of St. Luke's Church in Oklahoma City to the Ulyanovsk Oblast hospital. Together with the humanitarian cargo, we carried oil drilling equipment to Russia from the United States.

[Ageyev] "Volga-Dnepr" has developed the reputation of a reliable partner in the world market today. What have you accomplished in the field of international cooperation?

[Isaykin] Our relationships with foreign partners are not limited just to the contracts to carry cargo. A delegation from Oklahoma State University was in Ulyanovsk in October 1993. Bobby Henn [as transliterated], a professor of international marketing, and the regional manager of the Air Express International airline conducted business seminars for 8 days for "Volga-Dnepr" employees. The subject of the seminars dealt with an analysis of the situation in the world market for air freight service, the study of management strategy for entering the world market, the problems of managing an international air freight airline, and familiarization with the specific nature of the market for air freight service and its industrial base.

At the conclusion of the American specialists' visit, an agreement was reached on training for our company's employees at Oklahoma State University.

[Ageyev] What kind of new transportation services can "Volga-Dnepr" provide today?

[Isaykin] We want to extend our activity in other directions as well. In addition to carrying large-sized and extra-heavy loads, "Volga-Dnepr" can offer a new form of service. We are prepared to provide for the reception of foreign delegations and the organization of business meetings and visits in the Yak-40 aircraft. The economy and business class cabins have been furnished with upholstered furniture, which is convenient both for

business negotiations and a quiet rest. Our Yak-40 also has the equipment needed to organize the passengers' meals.

[Ageyev] Does "Volga-Dnepr" have any objectives for the very near future?

[Isaykin] Unquestionably. First of all, the airline's short-term goal is to become Russia's number one air freight company. And our long-term goal is to become one of the world's leading air freight companies.

In order to achieve these objectives, we have worked out a definite strategy, which includes improvement in the management of the company and its material and technical base and creation of a favorable image for the company both in our country and abroad, as well as superior knowledge of the world market's requirements for air freight service, and meeting them in a timely manner at the level of world standards. We are continuing to form our team of professionals who are prepared to work in other countries and we are developing an advanced system to provide information support.

We are also trying to maintain good relations with our partners. In many respects, we are obligated to the "Aviastar" AO [Joint-Stock Company]—the Ulyanovsk Aviation Industrial Complex, our main stockholder—for our successful activity. The "Aviastar" AO builds the An-124-100 "Ruslan" aircraft, which forms the basis of our fleet. Incidentally, there are six "Ruslans" in it at present. In addition, because of cooperation such as this we do not need spare parts for any aircraft equipment.

It seems to me that by having such support and a finely tuned operating mechanism, "Volga-Dnepr" is capable of reaching the goal it has set: to become Russia's leading air freight company and one of the leaders in air freight service in the world market.

Importance of Nuclear Icebreakers Examined

944E0635A Moscow TRUD in Russian
29 Mar 94 Night Edition p 2

[Interview with Yuriy Sergeyevich Kuchiyeu, honored captain of the Arktika, by Dmitriy Struzhentsov: "We Are Quietly Sinking to the Bottom: Yuriy Kuchiyeu Asserts that There Is No Alternative to Russian Nuclear-Powered Icebreakers"; St. Petersburg, date not given]

[Text] The name of Yuriy Sergeyevich Kuchiyeu is well known, and not just to polar explorers. In the comparatively recent past, almost everyone in the former Union had heard it. Kuchiyeu was stand-by captain of the first-comer of the domestic nuclear-powered icebreaker fleet, the Lenin. The first cruise in navigational history of a surface ship—the nuclear-powered icebreaker Arktika—in the North Pole area was made under his command.

Now the honored captain of the Arktika is no longer sailing, but works on shore. As before, however, he remains a passionate champion and staunch defender of

the nuclear-powered fleet. And there is something to defend and to defend against.

We became acquainted back in the days when the beautiful icebreaker Arktika left on its first cruise. Quite a few years have passed since then. In all, Yuriy Kuchiyeu sailed on icebreakers for more than 40 years, including more than 20 years on ships with nuclear-powered units.

[Struzhentsov] How do you feel these days?—I asked Kuchiyeu.—Did the decades spent on nuclear-powered ships, in constant proximity to nuclear reactors, have any effect on your health?

[Kuchiyeu] I gave up being a captain on the bridge on the insistence of physicians, because of ischemic heart disease. Did I receive an overdose of radiation exposure during the years of sailing on nuclear-powered ships? No, I did not. I make so bold as to state: not one of the crew members of nuclear-powered icebreakers has contracted radiation sickness. Moreover, I am convinced that the sojourn in the Arctic did them all good. Even though the Arctic expanses are subjected to man's destructive influence, the ecological situation is still much better there than in other areas of Russia.

[Struzhentsov] Do you mean that during the entire time of your work on nuclear-powered icebreakers, there was no threat of radioactive emission, of radiation danger?

[Kuchiyeu] I affirm: there was not! Localized emergency situations did take place, but there were no emergencies threatening the environment or human health. The emergency safety systems on our nuclear-powered ships are absolutely reliable. All the many years of practical work and the highly professional operation of the nuclear-powered ships are convincing proof.

[Struzhentsov] But this is, so to speak, your "own" opinion. What about the international estimate of the safety of the nuclear-powered icebreaker fleet?

[Kuchiyeu] All our nuclear-powered icebreakers were built at yards in Leningrad and Finland, and took their own route to the Arctic Ocean, with a working reactor, through Danish territorial waters. The Danes studied the air and water in the area of the icebreakers very carefully, and not once did they detect the slightest traces of radiation. Our crew watched the Danish high-speed launches take samples of the water near the very screw propellers of the Arktika, watched helicopters circling above us, taking air samples. Later on we learned from the Danish press that neither the water nor the air caused any alarm among the Danish people. In addition, cruises of nuclear-powered icebreakers carrying foreign tourists to the North Pole have now become quite popular. Is this not an argument in favor of the safety of our nuclear-powered ships?

[Struzhentsov] But why, then, don't the United States and Canada, let us say, have any nuclear-powered icebreakers?

[Kuchiyev] They have no North Sea route. For the time being the United States does not need a powerful icebreaker fleet with unlimited cruising capacity just for sailing in the Canadian archipelago and in Arctic waters. But we simply cannot do without it. After all, the North Sea route is the reliable transport artery, without which the development and operation of the natural riches of the Arctic—Russia's main economic reserve—would be unthinkable. Normal operation of the North Sea route without a modern nuclear-powered icebreaker fleet would be impossible!

[Struzhentsov] Why is diesel-electric power inferior?

[Kuchiyev] First of all, with respect to fuel and water, ships of this class do not have sufficient cruising capacity. The most unpleasant thing is that they are destructive to the Arctic because of their oil spills. It is onerous for the crews to operate the diesel-electric mast-odons which represent yesterday's icebreaker building. There is no alternative in the foreseeable future to the powerful nuclear-powered icebreakers in the Arctic, and indeed in the freezing seas of Northern Russia. It is a pity that many people do not accept this truth. We remember an incident which occurred in Magadan, the residents of which would not let the newest nuclear-powered LASH ship, *Sevmorput*, with cargo for the Arctic inhabitants, into the port. This stems from technical ignorance and, of course, the Chernobyl syndrome. As they say, "once burned, twice shy." Magadan and other remote ports of the North will not survive without modern nuclear-powered ships.

[Struzhentsov] You are not denying, though, that accidents have happened on nuclear-powered ships?

[Kuchiyev] They have. For example, on the *Arktika*, in the first navigation periods, the screws broke. We repaired them ourselves at sea. Difficult, divers' work, but fully within reach of the crew. This has nothing to do, however, with the power unit. With competent servicing, it will not let us down. As for what happened at Chernobyl—this was first and foremost the result of scandalous sloppiness, which, thank God, we don't yet have in the fleet. Indeed, the safety systems on nuclear-powered ships are very sound. You must address nuclear power only as "Sir." In the past, our chief scientific director, the now late academician, Anatoliy Aleksandrov, staunchly defended the prestige and authority of nuclear power. He seemed to foresee that any misfortune that happened in nuclear power engineering could throw everything back that science and practical experience had achieved over many years. That is what happened at Chernobyl....

[Struzhentsov] What specifically do you have in mind, in paying Academician Aleksandrov such a compliment?

[Kuchiyev] Here is a simple example for you. In order for the politburo to make a decision on the *Arktika*'s cruise to the North Pole, an official certificate, signed by the minister of the Maritime Fleet and the president of the Academy of Sciences, was required. Well, Minister

Guzhenko signed this paper, but Academician Aleksandrov abstained from signing. He explained that he was completely comfortable with the nuclear-powered unit, but he was afraid that, as had already happened, the screw or propeller shaft would suddenly "fly off," and this could spoil the expedition, and then the prestige of the nuclear-powered icebreaker would inevitably be damaged. After all, our country is not accustomed to looking for reasons: if something does not turn out right—everything is bad. Of course, we were all lucky that the cruise, which took place after all, went off successfully. The straightforward academician was the first to send on board the *Arktika* a telegram with the frank words: "You know that I was against your cruise, but now I am proud of you." In actuality, he was much happier about the success than others were. After all, Anatoliy Petrovich is the person whose learning and efforts created our naval and peacetime nuclear-powered fleet.

[Struzhentsov] At that time Academician Aleksandrov had every reason for joy. But how do you think he would feel, if he were alive today?

[Kuchiyev] It is difficult even to conjecture. Something inexplicable is taking place. The nuclear-powered fleet, which has proven itself in full measure, and which has a superb base in Murmansk, is slowly surrendering position. The icebreaker *Lenin*, with a power complex which has served out its utility, but still has excellently preserved interiors, made by the Petersburg experts, stands idle in Murmansk. The Arctic seamen came forth with a proposal to convert the first nuclear-powered icebreaker in the world into a museum, to preserve this amazing creation of domestic science and technology for their descendants. Anatoliy Sobchak, mayor of St. Petersburg, gave the "okay" for perpetual mooring of the nuclear-powered ship on the Neva—the birthplace of the *Lenin*. Things have come to a standstill, however: there are no funds.

Repair of the nuclear-powered icebreakers *Arktika* and *Sibir* is being held up for the same reason. The icebreaker fleet is not being replenished. The most modern nuclear-powered icebreaker, the *Ural*, is lying idle at the outfitting dock of the Baltic Shipyard. It is over 50-percent finished. It is already fitted out with main and auxiliary turbogenerators and a propeller unit, and there is a nuclear-powered unit to be finished. The icebreaker could go off on a voyage after two years of intensive work. All work on finishing construction has been suspended, though. The yard's director has sent telegrams around to the suppliers on canceling the contracts: the yard has no funds to finish work on the icebreaker, and the very expensive equipment installed finds itself threatened with ruin.

All this is very alarming. The decline of the North Sea route is beginning. Unless this misfortune is averted, it will be hard to count on the regeneration of the Russian economy, since unless Arctic Siberia participates in this process, the problem cannot be solved.

Finally, we have not fulfilled our duty to our ancestors, who passed down to us the baton of purposeful development of the Arctic. After all, the cruises of our nuclear-powered icebreakers to the North Pole region were made, not for the sake of publicity, but in the name of charting the shortest high-latitude routes for transit transport operations between the Atlantic and Pacific oceans.

Severity of Volgograd Shipbuilding Yard Financial Problems Viewed

944E0658A Moscow PRAVDA in Russian 2 Apr 94 p 1

[Interview with Nikolay Kirillovich Maksyut, director of the Volgograd Shipyard, by Valentina Nikiforova: "Kings and Beggars"]

[Text] Nikolay Kirillovich Maksyut readily agreed to chat, even though it is not easy for the director of the large enterprise to find a spare hour. The director of the Volgograd Shipyard is worried about his collective, and is seeking like-minded people throughout the USSR (not once did he call it the "former"), in order to save the people from below, in an enterprising way, to save the state from ... the state.

"You know what a terrible sign it is: this year we accepted no young specialists into production!" he noted.

[Nikiforova] So what is it, is this a managerial mutiny?

[Maksyut] Indeed, what nerves one must have to endure something like this! In the three years of reform, the yard has lost 3,500 people. And what kind of people! Skillful hands. Production is being cut back. Whereas in 1990 we produced 20 units, last year we turned over 3! The government is not granting long-term loans, and short-term ones are no support for serious production.

[Nikiforova] How is the enterprise getting by?

[Maksyut] It's a good thing that they need a fleet abroad, we are surviving by means of real currency. Last year we concluded a contract to build ten dry cargo ships, we are turning over four this year, and the rest over the next two years. Note this: we are selling to foreign firms. The Germans and the Dutch need ships, but Russia, it turns out, does not need them.

[Nikiforova] The yard has become a joint-stock company. In the logical course of events, shipbuilding should get financial replenishment.

[Maksyut] At first we too believed this. We took the second variant of privatization, and bought up 51 percent of the shares through the privatization fund. Because of the fact that Chubays had to buy 80 percent of the shares for vouchers alone, though, we got very little.

[Nikiforova] It turns out that ownership brings only trouble. What is the workers' attitude toward this?

[Maksyut] They are not in a very good mood. The average wage is 71,000 rubles [R]. By general agreement, we decided not to pay dividends so far—nothing to pay them with. True, we found the "thirteenth-month wage," we are subsidizing half the cost of dinners in the dining hall. The exorbitant rise in prices is forcing people to get themselves out of the mess, it is pushing them to crime: it is a paradox, but people, owners of the enterprise, have begun to steal more. From themselves! Laziness is increasing. You have a top specialist getting 4-5-fold less than, for example, an operator at a thermal power station. Unless the government makes a sensible decision, the yard's reserves are enough for two to three months. We, the members of the rayon council of directors, warned the authorities of this. They answered us: "Do not dramatize!" After all, though, the people can go out on the streets without any notice. The directors are restraining this today. But tomorrow?

[Nikiforova] Are there political forces—parties, movements—which would help the people to understand the situation? Perhaps the trade unions will support the workers?

[Maksyut] Serious work must be done at the enterprises right now—to help rescue production and to preserve the work places. But who will do it? The communist party knows how to do this, but, unfortunately, it has removed itself from the working people. The trade unions? Yes, perhaps. But they, in my opinion, are the same everywhere—they seek agreements rather with the government than with the working people. Unless the trade unions, together with the government, come out against industry's landslide in the near future, there will soon no longer be any need for them.

[Nikiforova] All the same, what is the way out?

[Maksyut] Let us ask the people.

I did ask them. At one of the shops, the way out was designated in few precise words: re-election of the president and a change of government. "I used to live like a king on R132 pension, but now I live like a beggar on R80,000," concluded a worker at the very large shipyard.

New System of Designators for Mainline Locomotives

944E0659A Moscow ELEKTRICHESKAYA I
TEPLOVOZNAYA TYAGA in Russian
No 11-12, Nov-Dec 93 p 35

[Article by P.K. Shtepenko and M.A. Katser, VEINII AO: "A New Designator System for Mainline Electric Locomotives"]

[Text] By order of the minister of Railways, No 22Ts, of 15 May 1984, a digital system for designation of rolling stock was introduced for computer processing of information on its operation. Today it is functioning along with the accepted designation of the series. An article by V.A.

Rakov (see ETT [ELEKTRICHESKAYA I TEPLVOZNOYAYA TYAGA] No 3, 1985), told how the existing system was formed. It did not, however, reflect the shortcomings of the designations of mainline electric locomotives. Suggestions for a new system were brought into the published article in the form of a discussion.

We know that in 1932, in memory of V.I. Lenin, series of electric locomotives began to be designated by the two letters "VL." The first domestic mainline electric locomotive was given the designation VL19-01, where the number 19 designated the pressure of the wheelpair axle on the rails in tonnes, and 01—the ordinal number.

An analogous procedure was extended to the following series as well: VL22, VL22M. In the future, locomotives began to be designated N8, NO, N60, N80, where the letter "N" attested that the machines were manufactured at the Novocherkassk Electric Locomotive Building Plant. The remaining figures and letters designated: "eight-axle direct current," "single-phase," "six-axle single-phase," "eight-axle single-phase." Electric locomotives built at the Tbilisi Electric Locomotive Building Plant had in their name the letter "T," for example T8—eight-axle direct current electric locomotive.

In 1963, at the demand of the MPS [Ministry of Railways], the letter designations of electric locomotives

manufactured earlier were replaced by "VL." Moreover, it was ordered that direct current locomotives be designated by numbers up to 39, and alternating current—from 40 up. Electric locomotives of the last few years had the designations VL10, VL11, VL15, VL41, VL62, VL65, VL84, VL85 and VL86. The existing system, therefore, has no real meaning, except for the type of current.

In reality, direct current electric locomotives VL10 and VL11 are eight-axle, and VL15—12-axle, i.e., there is no information on the difference in the number of axles. The situation is the same with direct current locomotives, where the numbers 6 and 8 formerly designated "six-axle" and "eight-axle." After the output of 12-axle electric locomotives VL85 and VL86, this meaning too was lost.

Specialists of the VEINII AO [All-Union Electric Locomotive Building Scientific Research Institute Joint Stock Company] developed and have proposed for discussion a new system of designating mainline electric locomotives. It is notable for its simplicity and bears a meaningful load: the type of current and service, the number of axles, the distinguishing features of the design of the tractive motors and the form of modernization. The symbols of the new system are presented in the table.

Type of current		Type of service		Number of axles		Distinguishing feature	
designation	description	designation	description	designation	description	designation	description
S	alternating	none	freight	4	four-axle	none	commutator traction motor
P	direct	P	passenger	6	six-axle	A	asynchronous traction motor
D	dual feed	M	shunting	8	eight-axle	V	thyatron tractive motor
				12	twelve-axle	1, 2, 3...	form of modernization

It uses the necessary and sufficient number of symbols, making it possible to use the designations with the aid of a computer. The system of designating mainline electric locomotives takes into consideration the current level of structural execution of locomotives and the prospects for further development of electric locomotive building.

We will give a few examples of the designations: S12—freight, 12-axle direct current electric locomotive with commutator traction motors; P8—freight, eight-axle direct current locomotive with commutator traction motors; SP6A—passenger, six-axle alternating current electric locomotives with asynchronous traction motors; D8—freight, eight-axle dual-feed locomotives with commutator traction motors.

When necessary, there can be a letter designating the manufacturing plant before the designation of the electric locomotive series, as for example, "N"—Novocherkassk.

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Railway Deputy Evaluates Passenger Service, Problems

944E0677A Moscow GUDOK in Russian 1 Apr 94 p 1

[Interview with Deputy Minister of Railways K. Salatov by GUDOK correspondent Viktor Peremyshev: "Maximum Convenience and Service for the Passenger"]

[Text] Passenger transportation is continuously in the ministry's field of vision. Three times as many collegium sessions were devoted to it last year alone. Specific measures were outlined, and the railroads were given instructions on improving the organization and quality of passenger services at terminals and on trains. A special government decree on suburban services was issued at the initiative of the MPS [Ministry of Railways]. However, it was noted at the last collegium meeting (December 1993) that the gain expected from the measures outlined was not

received. Our correspondent talks with Deputy Minister K. Salatov today about the problems facing the passenger transportation complex and the steps that need to be taken to improve its work.

[Peremyshev] Kim Khamitovich, it has been about 3 months since you began studying passenger service problems, and after these 100 days, it is assumed that a report will be made to the public on what you have managed to accomplish. Can we expect something such as this from you at the forthcoming collegium at the beginning of April?

[Salatov] This period—100 days—is not long enough to be able to introduce radical changes in the work of this complex. Without repeating what has been approved in the collegium meetings, I will note one feature: their decisions were predominantly oriented toward the passengers' interests in many respects. But look at what is taking place on the trains, in the terminals, in our entire area of service. The attitude toward passengers has been callous, and it remains that way. But after all, if a person pays more for a fare than he did before, he should receive more in the form of attention, services, and simply a respectful attitude.

[Peremyshev] Frankly speaking, I did not expect that our conversation would begin in precisely this way. Although not everything is simple here. The same crudeness by the conductor—this is not only a display of bad behavior, but a result of the poor condition of the rolling stock and economic disorders. Today, as an example, a dishonest conductor "has" much more than an honest one—for carrying extra baggage, "stowaways," and other "services."

[Salatov] Well, every family has its black sheep. But a conductor's wage is not bad at all—an average of 200,000 rubles, besides the out-of-town assignment and other payments. Add to this the stability of his social position based on the wage agreement. And it is becoming apparent that the problem is not with his economic status, and not even in the peculiarities of his character, although there is reason to think there has been poor personnel selection.

Look at the flight attendant on an airplane. She radiates kindness and respect. The flight attendant undergoes testing and takes a special training course. They follow roughly the same procedure on American railroads, by the way. If we tested for occupational suitability and studied personnel selection... I am certain that the human factor comes into action before the economic factor or any other factor. We have become accustomed to boorishness, I believe. But after all, we are standing on the threshold of competition for transport services. There are huge "Icaruses" today at the Kursk and the Kazan terminals. And their invitations guarantee that they will take passengers quickly and comfortably to Ryazan and other cities. And the buses are crowded as well.

We are talking about financial losses in the billions. But some trains are half-empty today. The railroads do not want to cut back the amount of traffic. Then they should look for an opportunity to fill up the railcars! We cannot make up for financial losses by rate indexing alone. We have to respect the laws of economics: the relative expenditures can only be reduced by an increase in transport volume. So we have to fight for the passenger. By giving him more comfort. So this year we have set the target of 70 company trains.

[Peremyshev] We have 52 now.

[Salatov] Yes. Nearly 200 consists. The company trains differ sharply from the normal trains. They are filled, even though a ticket on them is 1.5 times more expensive. You automatically begin thinking about what the passenger needs. He needs comfort, convenience, and good service.

We cannot make 100 percent of the trains company trains, of course. And this is not necessary, either: we have a responsibility to keep trains less expensive. But we have to raise the level of normal trains up to the level of company trains.

[Peremyshev] Should I interpret your words to mean that service is the most important element which can raise passenger transportation to a new level?

[Salatov] Absolutely correct. Creating conditions for the passenger which suit him completely. I think this is the key to success.

[Peremyshev] I would like to ask a more specific question: if we find fine people who put their heart into their work, put them in a dilapidated railcar where the heating does not work, the boiler is broken, on a train that is always late, won't this brutalize even the most good-natured person under such conditions? And he will have to hear a great deal that is unpleasant from the passengers as well.

[Salatov] A complaint we received recently spoke of just such a situation. In February, we took 184 children on vacation from a special school in Moscow. The railcars had no belts on the generators, and hence there was no light. They are not heated. There was no tea or anything. I asked the railroad that made up the train: how could such a thing happen? This is irresponsible! Of those who prepared these three railcars and those who gave the order to connect them up. And of the conductors as well.

Irresponsibility and carelessness—this is the problem of problems today. A sanitary inspector forbids the railcars from being used, but there is a slipshod individual who does not respond to his reprimands and puts a railcar in the train anyway. And such actions cannot be justified by our poverty or any shortages—we are more irresponsible than we are poor.

Our attention to the traveler should begin at the cashier's window in the terminal. But why is there no advertisement: "Dear passengers! To ensure your safety, we

cannot carry more than 36 kilograms of baggage. Turn the rest over to the baggage car." No, the ministry order on this is read over the terminal radio, at best.

[Peremyshlev] So good decisions are being made, but they are not being carried out. One of the reasons you cited was carelessness. What else?

[Salatov] You are right, it would be too obvious if everything were explained by this. Passenger problems require constant and continuous attention. But at times we lose sight of them. This inattentiveness stems from the inertia in our thinking: when there was a huge volume of freight being carried, the passenger runs were given credit at their own expense and attention was given to them in accordance with the residual principle, so to speak. Today, when the freight runs have declined, we should turn our attention to passenger services. But the dispatchers still give first attention to the freight trains. Just as before, they are encouraged to let the freight runs pass through first of all.

The last collegium meeting approved a new schedule in which priority is given to passenger trains. So the mental reorientation is under way, all the same.

[Peremyshlev] You said that decisions were made at the collegium meetings on services for passengers, based mainly on their interests. I had occasion to attend practically all the meetings mentioned, but in the documents presented at them I did not see any results of the sociological study of the phenomenon which is called passenger flow in official language. The migration by people, passengers' preferences, the social status of the average passenger—a million questions arise. But where are the answers? Didn't you reach that point?

[Salatov] I cannot agree that we did not reach this point. Obviously, the residual principle is being discussed here as well. There are no services on the railroads which have really devoted study to marketing. Ask the commander of the appropriate service how the passenger flow is studied, and you will hear: it increases or decreases. But they will not say why. They do not know.

A department for this has been formed in the Passenger Main Administration. But I personally do not see the amount of work I am describing. In any event, they are not conducting any surveys or studying...

[Peremyshlev] Have they postponed it for the future?

[Salatov] We are putting off too much until the future. As an example, the railcar problem... In order to provide good service for the passenger, as you noted, a properly equipped railcar is needed.

But what can we give the passenger when there aren't enough railcars even for the company trains, which should meet the sectorial standard for a "firm."

Deliveries from Germany are being cut back under the slogan of the need to develop domestic passenger railcar manufacturing. At the same time, it is planned to allocate funds from the budget to purchase the Tver railcars for exactly one-third of the target given to the plant. We are trying to help the Tver workers to obtain materials for production, but they also need money to survive. Railroads will continue to be the predominant form of transportation in the future in Russia. And this must be considered the principal social task for railroad workers. And the organs which are obliged to bear this in mind should not tell us: "These are your problems!"

The priorities should not simply be declared, but provided for financially. But for the present... The rates are monitored by the state and regulated by it. They do not provide for the sums to obtain railcars. This would require the cost of a fare to be substantially increased, which is simply impossible under current conditions.

But how do we provide for quality in passenger services when they are unprofitable and there are no subsidies? It is becoming more and more difficult for us every day to keep our form of transportation the most accessible and widely used.

In addition to the rolling stock, there are the tracks, the technical structures, the terminals... Our comrades stopped at the terminal in Washington at one time and could not understand whether it was a terminal or a concert hall: there were exhibits and concerts on the upper floors... You published a good series on the terminals in Moscow. We have to look throughout Russia for what is good and bad and provide the passenger with the maximum amount of service which he needs. I repeat—we must fight for the passenger!

[Peremyshlev] Kim Khamitovich, are you a realist?

[Salatov] Both a realist and an optimist.

[Peremyshlev] So much of what has been mentioned today will be done?

[Salatov] A great deal has already been done today. And without large capital investments. We have to develop what we have. We have good reserves to carry out the collegium decisions. We have to set ourselves the task of fulfilling them to the maximum extent possible. This is the key to success.

We have many ideas. We have to work. I am confident that the forthcoming collegium meeting will take place with this attitude as well. Passenger services are a major aspect of our work. And we all must apply ourselves to it with responsibility.

Railway Specialist Views Industrial Safety Issues

944E0692A Moscow GUDOK in Russian 29 Mar 94 p 2

[Article by B. Shokhin, deputy general director of the Moscow Municipal State Industrial Railroad Transport Enterprise, chief inspector for Traffic Safety: "Without Accident or Injury: Work at the Moscow Promzheldortrans Enterprise"]

[Text] A year ago, on 30 March, GUDOK published an appeal from the collective of the Moscow State Promzheldortrans Enterprise to the railroad workers and to all workers, calling for transport work to be performed in 1993 without wrecks, accidents or injuries.

The year passed, and it was revealed that Promzheldortrans did not take the words as just idle talk: during the past year and the first quarter of this one, it did not permit a single wreck nor production injury.

How did they succeed in achieving these results? We asked B. Shokhin, deputy general director of the Moscow Municipal State Industrial Railroad Transport Enterprise, chief inspector for Traffic Safety, to tell us.

Our proposal may have seemed adventurous to some people, but all our production subdivisions took it very seriously and responsibly. We have been working toward this goal for several years, realizing that you can't eliminate defects by waving a magic wand, you need solid organizational and technological running time. Therefore we first prepared a bridgehead from which we could assume the offensive.

For example, we were the first on the railroad network to introduce a system of accident-free work: "Foresight is a pledge of safety." Having become familiar with this, the specialists most likely would not find any innovations for themselves which would not be known to our colleagues from other enterprises and roads. It is my firm conviction that this is not required. One thing is necessary when working with rolling stock: impeccable adherence to the rules for technical operation and instructions and orders, for the slightest deviation from them is fraught with peril—and commanders of all ranks must establish rigid monitoring of the entire technological chain.

At selector conferences, when the question of traffic safety would come up, we most often heard complaints that the rails were extremely worn (especially on the enterprise track spurs, where we have to do our main amount of work), that railcars needing repair are in operation everywhere, and that loading-unloading mechanisms often get out of order, and indeed, are often of an obsolete design. All this is true. For some reason, though, in discussing the problems of safety, increasingly fewer people have paid attention to the human factor. When an accident happens, then as a rule, we find out: It was not the equipment that let us down, but the person controlling it.

Therefore, having begun to introduce an accident-free system, we waged a most decisive battle against those who violated work discipline. A drunken person is dangerous at any production facility, but especially at a transport facility: after all, in this case, he risks not only his own life, but also the lives of other people. We must remember what tremendous material damage an accident on the railroad incurs. It is not by chance that medical monitoring is compulsory for locomotive crews and yardmasters before they go on for their shift. We decided among ourselves at the enterprise to make this more severe: we perform it not only before a team goes to work, but after the shift. A foreman who conceals a violation of discipline or lets an engineer (yardmaster) go to work when he is drunk will be fired from the enterprise, rather than the violator. Even before, we were forced to apply these strict sanctions. They proved to be effective—we have not encountered drunkenness at the work place for three years now. We were forced to let go the ones who could not take themselves in hand, but those who were inclined to go on drinking bouts, but valued their work at our enterprise had to combat the unhealthy habit for themselves.

Having got rid of our drunks, we are strictly adhering to our rules—not to accept for work people who have been dismissed from other enterprises for the same reason. Every quarter, I personally take to the road administration lists of engineers who have been deprived of the right to drive locomotives for some specific reason. We send these lists to all the subdivisions: not a single violator who has been fired from the railroad will find any sympathy from our staff members. To this kind of person we state: Before you take on the control of equipment, you will learn to control yourself.

In introducing the accident-free work system, we certified all the workers and regularly conduct recertification. This is a very serious examination for everyone. Let us say, an engineer and a yardmaster should have an impeccable knowledge not only of the rules of technical operation and safety, but of all the special features of the sections which they handle. We handle, as you know, the enterprises of the capital. The line within the city limits has an abundance of curves, grades and upgrades. An engineer who does shunting work should, of course, as they say, know with his eyes closed where the downgrade or ascending grade begins and be particularly attentive at sections with small radius curves. As should, by the way, yardmasters. An engineer is categorically forbidden to put a locomotive into motion until he is certain (visually or by radio) where the yardmaster is at the given moment.

We have also resorted to a number of additional measures. Considering the present technical condition of the track and the rolling stock, we have restricted speeds in order to eliminate damage. For example, when a locomotive approaches a consist, the norm-set speed should not exceed 5 kilometers an hour, but we have restricted it to 1.5 kilometers an hour, and when a consist is fed under a trestle or when it is removed after loading or

unloading, from 15 to 3 kilometers an hour. With movement along a curve with a radius of less than 120 meters, we have reduced it from 15 to 5 kilometers a hour.

One often hears today that, with the transition to new economic relations, the need for monitoring adherence to discipline and the rules of safety has disappeared. People interested in the end result of work, on which their wages depend, will of themselves, without prodding, perform their duties conscientiously. They will not tolerate being alongside those who violate discipline or are sloppy workers. It is possible that when the market economy, moreover a civilized one, not the one that we have, becomes firmly established, it will be this way. For the time being, though, monitoring is necessary.

Incidentally, it exists, and much more strictly than in our country, in the highly developed capitalist states. We also attribute paramount importance to monitoring functions. All the divisions, enterprises and sections have been assigned a command staff. Nor have we given up holding the "Safety and Labor Safety Practice Days." In preparing for them, we organize surprise checks, and moreover, on both the day and night shifts. I emphasize the word, surprise.

It is no secret that we most often have occasion to encounter violations on payday. With the approval of the work collectives, we issue wages once a month (formerly, as at most enterprises, we paid them twice a month). On those days we step up the monitoring at all the subdivisions.

There is one more innovation which we are striving to comply with without delay. Our production commanders are obliged to check the working ability of all their subordinates every one-and-half hours in the course of a work shift. How to get to the work places, whether to call a subordinate to their offices by radio or through public safety inspectors—that is for them to decide. The main thing is to put in place a covering force to avert violations of labor safety practices, and thus sub-standard work or an accident. Incidentally, with a staff of 800 people, over 250 of them are public traffic safety inspectors.

The introduction of an accident-free work system also made us correct the regulations on material incentive. The criteria for a favorable evaluation of the work of each brigade are the absence of sub-standard work, injury, outbreak of fire and damage to rolling stock, and after that, labor productivity and the profit obtained.

None of what I have said means that the problems of introducing new equipment, advanced technology and the technical state of transport developments have, as it were, been pushed into the background. In this respect we have been lucky, since the leading transport institutes are located in Moscow, and we have the opportunity of being the first to test their scientific developments and put them into operation.

In conclusion, I wish to say that the accident-free work system that we introduced will prove itself as effective only when the entire set of measures is applied, from organizational to technological. The experience that we have accumulated shows that, even in the present difficult economic situation, one can work without accidents and injuries, or at least reduce them to a minimum. We have called upon and still call upon all railroad workers to do this.

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